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SWEDEN
...ding for the
Section Market

World News

Mitterrand tells police to curb farmers' protests

French president Francois Mitterrand defended his Socialist government against a tide of popular unrest, warning militant farmers to stop their violent protests and calling on police to restore order.

With opinion polls going against him, nurses and farmers demonstrating in the streets and unions threatening a 24-hour general strike tomorrow, Mitterrand attempted to defuse the tension in a rare hour-long radio interview. Page 18

BCCI payments claim

THE collapsed Bank of Credit and Commerce International (BCCI) made payments to the family of Mrs Indira Gandhi, the late prime minister of India, to relatives of General Zia of Pakistan and to leading Zimbabwe politicians, according to testimony given in the US Senate. Page 18

Yugoslav grip tightens

The Yugoslav army launched heavy mortar attacks around Dubrovnik and Vukovar, tightening its grip on the besieged Croatian towns. Page 6

Fresh Zaire violence

Soldiers have gone on a fresh looting rampage in Zaire, gripped by a power struggle between President Mobutu Sese Seko and the powerful opposition.

Ukraine plans army

The Ukraine, second richest Soviet republic, moved towards full independence by voting in principle to create its own armed forces. Page 6

Italians protest at cuts

Millions of Italians stopped work for four hours in a general strike aimed at forcing prime minister Giulio Andreotti to scrap his 1992 cost-cutting plans. Page 6

New patriarch

Metropolitan Bartholomeo, aged 51, is the new spiritual leader of the world's 250m Eastern Orthodox Christians. He succeeds Dimitrios I, who died in Istanbul on October 3.

Jack Ruby's gun for sale

The gun Jack Ruby used to kill Lee Harvey Oswald, who was accused in 1963 of assassinating US president John Kennedy, is to be auctioned to meet tax debts on Ruby's estate, his brother said.

Peace prize setback

Norway's ambassador to Burma, who is based in Singapore, has been refused a visa to the country to try to persuade the military government to allow Aung San Suu Kyi receive her Nobel peace prize in Norway in December.

Egypt accused of torture

Hundreds of Egyptian political activists are being tortured under the government's 10-year-old state of emergency, Amnesty International claims.

Palestinian delegates

Palestinians from the occupied territories named their delegates to next week's Middle East peace conference in Madrid. They appear to meet conditions laid down by Israel. Page 4

Pakistan's nuclear claim

The US reacted cautiously to reports that Pakistan had claimed to possess nuclear weapons. Page 4

Okri wins Booker prize

Nigerian Ben Okri won the prestigious £20,000 British Booker prize for his third novel, The Famished Road.

Clever dustbins

Residents in the Netherlands town of Hoofddorp are being issued with dustbins implanted with microchips to record how much they throw away. Those disposing of the least will get refunds from the council.

Business Summary

Ford and GM post $1.7bn losses in third quarter

General Motors and Ford, the two largest US motor vehicle manufacturers, yesterday reported a combined third-quarter loss of nearly $1.7bn and offered little hope of an early return to profitability.

Ford said it expected to lose money in the fourth quarter and had been cutting its production schedules because sales had not picked up as rapidly as expected. The industry has been suffering for the past year from a sharp downturn in North American demand, due to recession. Page 19; GM might buy Milan factory. Page 22

HONGKONG BANK has injected $200m in common equity into its troubled US subsidiary Marine Midland Banks, following the New York state-based bank's sixth successive quarterly loss. Page 22

JAPANESE government has lifted economic sanctions against South Africa, including bans on the import of gold coins and steel, direct investment and loans. Air links will also be resumed. Page 7

DEN NORSKE Bank, Norway's biggest bank, warned that it will need an injection of capital to meet domestic capital adequacy requirements by the end of this year. Page 19; Ill winds bypass Danish banks. Page 20

SALOMON Brothers, Wall Street securities house at the centre of a US Treasury market bid-rigging scandal, is close to completing the negotiations on a $2bn credit line with J.P. Morgan and Citicorp. Page 25

CREDIT SUISSE, smallest of the big three Swiss banks, stands to lose its top Triple-A credit rating. Page 19

DE LA RUE, UK-based security printer and payment machine maker, made a £160.3m ($273m) rights issue, partly to fund its acquisition of Swedish competitor, Inter Innovation. Page 19; Lex, Page 18

MOBIL, US energy company, turned in a 47 per cent increase in third-quarter operating earnings to $396m. Net income fell 4 per cent to $365m or 87 cents a share. Chairman Allen Murray said the recession had a significant negative impact, especially in US marketing and refining and in the chemical sector, where margins were unsatisfactory. On Wall Street, shares in Mobil reached a 52-week high of $72⅝, up $⅝, at mid-session. US energy company results, Page 23

BANKERS Trust, New York banking group, reported a 9 per cent increase in third-quarter net income, or $2.17 a share, against $170m, in the same period of 1990. Page 23

TIN: The Association of Tin Producing Countries, trying to generate a recovery in the world market by controlling supply, announced sharp cuts in exports for 1992. Page 34

MORGAN Stanley, Wall Street securities house, reported a big jump in third-quarter profits to $121.8m, compared with $71.9m. Page 23

CONTRACTS worth DKr5.4bn ($826m) for construction of the world's longest suspension bridge were signed in Denmark. Page 6

From today, the FT-SE Eurotrack 100 index can be found in the panel immediately below this column. The index, launched a year ago, covers 100 leading continental European shares traded on Seaq International, the London Stock Exchange's international marketplace.

Fuller statistics on the FT-SE Eurotrack 100 can be found on the World Stock Markets page each day. Details of the FT 30-share Ordinary index, formerly carried in the panel below, can be found each day on the London Stock Market page.

Industrial Bank of Japan chief quits over loans

By Robert Thomson in Tokyo

THE CHAIRMAN of the Industrial Bank of Japan resigned yesterday, taking responsibility for the group's loans of up to Y240bn ($1.8bn) to an Osaka restaurateur who used seances for investment advice.

Mr Kaneo Nakamura, 68, apologised for having brought shame to his institution and to the Japanese banking industry.

Two other senior advisers resigned, and remaining executives will have salaries reduced by between 20 per cent and 50 per cent for the next six months.

The deputy manager of IBJ's Osaka branch, which had dealt with the restaurateur, Ms Nui Onoue, was suspended.

IBJ has argued that the loans to Ms Onoue, in custody for allegedly using fake documents to procure loans, fo[l]lowed her purchase of ... Y140bn of the ban[k] ...

However, the ... that check... inadequate and that it was reckless in lending such a large amount to an individual.

IBJ's relationship with Ms Onoue apparently encouraged other institutions to provide her with money, under the impression that the prestigious bank would not have provided her with funds without good [rea]son.

Meanwhile, Toyo Shinkin Bank, a small bank in Osaka, allegedly issued her with Y342bn in forged certificates of deposit, which were used as collateral for further loans.

Mr Nakamura, who will become a consultant to the bank, was the IBJ president when the relationship with Ms Onoue began in 1987. She owned two restaurants and was something of a local celebrity.

Customers believed she had "hidden" ties to a wealthy family, and executives from IBJ and other banks visited her to pay their respects.

IBJ has said it wanted to expand lending in the Osaka area and that it was carried away by the financial frenzy of the late 1980s, when the stock market was soaring and credit was cheap.

Ms Onoue, who held a weekly seance at one of her restaurants, was at various times the largest individual shareholder in Dai-Ichi Kangyo Bank, the country's largest, and held significant stakes in Sumitomo Bank, Daiwa Bank, and Nippon Telegraph & Telephone.

Mr Yoh Kurosawa, the current IBJ president, will have his pay cut by half for six months, and insists that the rebuilding of the bank's reputation is his responsibility.

By selling the collateralised bonds, IBJ has cut its exposure to Ms Onoue to about Y10bn, but the bank has yet to decide whether to assist the troubled Toyo Shinkin Bank and its depositors.

EC and Efta to create 19-nation trade zone

By David Gardner in Luxembourg and David Buchan in Strasbourg

THE agreement on a 19-nation free trade zone in Europe signed early yesterday sets the stage for the European Community to double its membership by the end of the century.

The accord came after a final 16-hour negotiating marathon in Luxembourg between the European Community and the seven-nation European Free Trade Association.

It will create a market of 380m consumers stretching from the Arctic to the Mediterranean. The bloc, which is *proposed to be formed in 1993*, accounts for more than 40 per cent of world trade.

The European Economic Area treaty has to be ratified by all 19 national parliaments *of EC and Efta states* as well as the European Parliament.

By reaching agreement, Efta countries have effectively resolved most of the economic issues which could stand as stumbling blocks to EC membership.

Mr Jacques Delors, the European Commission president, predicted the deal would provide useful experience for Efta *states which want to become* full members.

Among Efta members, Switzerland announced yesterday it would apply for full EC membership.

Mr Rene Felber, foreign minister, said the Swiss government was ready to sign the EEA agreement but only as a step to full EC membership.

Mr Carl Bildt, the Swedish prime minister whose country has applied to join the EC in parallel to the EC-Efta talks, said Sweden was "now heading *full speed to the EC*."

He expressed "deep satisfaction" with the accord. "It is an *important building block in the* construction of a new Europe," he said in Brussels.

Mr Alois Mock, Austria's foreign minister, said Vienna would inform the EC's 12 members within two weeks of its desire to start formal negotiations next year on its entry.

Prime Minister Esko Aho has said that Finland could take a stance on membership early next year.

Brussels is now gearing up for two waves of new members - *some Efta countries in the* mid-1990s and central European states such as Hungary, Poland and Czechoslovakia by the end of the century.

Many EC states, particularly southern ones which fear budget money will drain away to the east and to the north, have been resistant to quick enlargement but a majority, including the Commission, accept the Community membership could double in number by 2000.

Mr Frans Andriessen, EC external affairs commissioner *and chief negotiator for the* Community on the EEA, said the new treaty could give the *12 a breathing space before* embarking on enlargement.

The Efta nations "mustn't *think that they're going to be* in the Community inside three years," the Commissioner said.

But he insisted that the EEA accord "also shows that we can handle the complexity of the enlargement problem," adding his now familiar thesis that "Europe is too heterogeneous to allow for only one form of integration".

Mr Andriessen has canvassed the *idea of "affiliate"* membership, particularly for the post-Communist democracies *of eastern Europe*, giving them a seat in EC political councils with a transition towards the full rigours of the single market in which their economies are now ill-equipped to compete.

Poland, Hungary and Czechoslovakia are close to concluding "association agreements" with the EC - offering them a 10-year transition towards full free trade and the *prospect of full membership.* The EC has started talks with Bulgaria, Romania and *Albania on similar agreements.*

All the signs are, however, that if the EC reaches agree*ment on economic*, monetary and political union at the Maastricht summit in December, it will have to face the enlargement issue squarely next year.

How the deal was done and what it means, Pages 2 and 3; Road to a wider Europe; Editorial comment, Page 16; Lex, Page 18

Asil Nadir, chairman of the failed Polly Peck International group, leaves court in London after facing charges of theft of almost £130m ($223m). Page 18

Palestinians name peace delegates

By Hugh Carnegy in Jerusalem, David Buchan in Strasbourg, Lionel Barber in Washington, Leyla Boulton in Moscow

PALESTINIANS from the occupied territories last night announced their list of delegates to next week's Middle East peace conference in Madrid, selecting negotiators who appeared to meet conditions laid down by Israel for its participation.

The 21-person delegation includes seven people, including Mr Faisal Husseini, the leader, whom Israel has indicated it would not agree to negotiate with. But the seven are designated as advisers who will not take a direct part in the conference or the bilateral talks.

Mr Yitzhak Shamir, the Israeli prime minister, yesterday said in Strasbourg that Israel would simply ignore anyone claiming to speak for the Palestine Liberation Organisation in Madrid. "We will not speak to them, and they will not ask us any questions," he said.

However, Mr Yassir Arafat, the PLO leader, has sought to emphasise the organisation's primary role in the negotiations and closeness to the delegation. He said yesterday in Paris that "Everyone knows that the Palestinians will represent the PLO. Every Palestinian is a member of the PLO inside and outside the (Israeli-occupied) territories."

The 14 negotiators, headed by Dr Haidar Abdul-Shafi, the head of the Gaza Red Crescent Society, conformed with Israel's demand that none of them belongs formally to any PLO institutions, or are permanent residents of Jerusalem. Most are well known academics, physicians or lawyers. Ten

Continued on Page 18

Carlsberg and Allied-Lyons merge UK brewing interests

By Philip Rawstorne in London

ALLIED-LYONS, the British drinks, food and retailing group, and Carlsberg, the Danish brewer, are to merge their UK brewing interests in a £510m ($877m) joint venture.

The proposed merger would give Carlsberg-Tetley, the combined operation, about 18 per cent of the £11.7bn UK beer market in third place, behind Bass with 23 per cent and Courage with 20 per cent.

The deal would mark a further step in the consolidation of the UK brewing industry. It has yet to be cleared by Britain's Office of Fair Trading or European Community competition authorities.

Grand Metropolitan quit brewing earlier this year after a pubs-for-breweries swap with Courage, which is owned by Australia's Fosters Brewing.

Three regional brewers, Boddington, Greenall Whitley and Devenish, have also given up making beer.

The *50/50* venture will encompass Allied's six breweries and wholesaling operations, and Carlsberg's brewery at Northampton, and its distribution network.

Allied will put £265m of net assets into the new company and will also transfer £135m of third-party debt to the joint venture, which will be paid off with cash from Carlsberg's £245m asset contribution.

Operating profits from Allied's interests were £58m in the last full year, and Carlsberg's profits from its UK activities amounted to £14m.

The combination of Carlsberg and Tuborg lager brands with Allied's range of beers, which include Tetley, Britain's best-selling bitter, as well as Castlemaine XXXX and Lowenbrau, brewed under licence, would give the new company a strongly competitive portfolio.

Allied has been considered under takeover threat since it lost £147m in foreign exchange dealings earlier this year. In the event of a bid, Carlsberg would have an option to acquire Allied's share of Carlsberg-Tetley.

Carlsberg gains greater security in the UK market, which provides half its profits. It recently signed production and distribution deals with Courage, and will now gain access to Allied's 4,500 pubs, as well as more clout with retailers.

The deal will add to the pressures on Whitbread and Scottish & Newcastle, the fourth and fifth largest UK brewers, to seek similar deals to strengthen their position.

Government action after a Monopolies and Mergers Commission report in 1989 was intended to increase consumer choice and contain beer prices. Mr Doug Henderson of the opposition Labour party said yesterday: "This is yet more evidence that the government's attempt to break the complex monopoly in the brewing industry has failed."

Allied-Lyons' shares closed 2p higher in London at 607p. In Copenhagen, Carlsberg ordinary shares rose DKr100 to DKr21,000.

Observer, Page 16
Little cheer for customers, Page 17; Lex, Page 18

CONTENTS

Ozal's defeat paves the way for a Turkish coalition

The election defeat of Turgut Ozal was a judgment on his eight years in government and paves the way for a coalition which is likely to be headed by Suleyman Demirel (left). He faces a formidable task. Page 20

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime: $1.7145	New York lunchtime: DM1.6945	FT-SE 100: 2,559.5 (-16.2)
London: $1.7145 (1.719)	FFr5.779	FT-SE Eurotrack 100: 1,097.32 (-0.67)
DM2.905 (same)	SFr1.4795	FT-A All-Share: 1,235.05 (-0.6%)
FFr9.915 (same)	Y131.02	New York lunchtime:
SFr2.5375 (2.545)	London: DM1.6945 (1.6905)	DJ Ind. Av. 3,061.05 (+0.67)
Y224.75 (same)	FFr5.7825 (5.7675)	S&P Comp 390.27 (+0.25)
£ Index 90.8 (90.4)	SFr1.48 (1.4805)	Tokyo: Nikkei 24,954.66 (-62.15)
GOLD	Y131.15 (130.7)	LONDON MONEY
New York: Comex Dec $366.00 (365.9)	$ Index 64.8 (64.6)	3-month interbank: closing 10⅛% (10⅞%)
London: $363.0 (363.4)	Tokyo close: 131.45	Life long gilt future: 94½ (93⅞)
N SEA OIL (Argus) Brent 15-day Dec $22.40 (22.55)	US lunchtime rates: Fed Funds 5⅛%	
Chief price changes yesterday: Page 19	3-mo Treasury Bills: yield: 5.20%	
	Long Bond: 100⅝ yield: 8.06%	

David Gardner on how the early morning deal was struck

Negotiators' exhaustion irons out final hitch

THE European Economic Area treaty approved early yesterday by the twelve EC members and the seven-nation European Free Trade Association is a juggernaut of a text, just over 1,000 pages with 12,000 pages of 1,500 Community laws appended to it.

This is the *acquis communautaire*, the sinews of the four freedoms – for the movement of people, goods, services and capital – to which the Efta nations are subscribing to create a market of 380m consumers accounting for 43 per cent of world trade.

Those who negotiated the treaty describe this vast exercise as much more complicated than a mere treaty of accession for a single member state.

But juggernaut though it is, it took less than two years to do the deal, less, for example, than the 1983-85 accession negotiations for Spain. And it took much less time to isolate the apparently trivial obstacles holding agreement up.

The negotiations had been stuck all this year on EC demands for more Efta fish, guaranteed road transit rights for its heavy lorries through Swiss and Austrian Alpine passes, and for "cohesion" money to help the EC's poorer, southern members catch up, and compensate them for giving the Efta free access to the Single Market.

● On fish: Iceland, it was tacitly understood, had special claim to reserve to itself most of the fishing rights which provide most of its livelihood. Norway has had to concede, but not much. The EC's share of what is now a 215,000 tonne quota for Norwegian waters will rise from 2.14 per cent to 2.9 per cent. The main beneficiary is Britain, which gets about two-thirds, with Germany and France taking the rest.

According to Mr David Currie, UK junior agriculture and fisheries minister, in 1993, when the EEA comes into force, the UK will get 6,017 tonnes of cod equivalent instead of the 4,439 tonnes it would have got. This is on a projected quota of 310,000 tonnes, which is due to rise to about 700,000 tonnes once fishing stocks recover. Spain and Portugal will get an additional quota of "cohesion" cod rising from 6,000 tonnes in 1993 to 11,000 tonnes in 1997 and thereafter. Spain had originally wanted an extra 90,000 tonnes.

In exchange, the Efta countries get free access to EC markets for most fish products and a progressive, up to 70 per cent cut in tariffs on other species. But it gets no concessions on herring, salmon and mackerel, coquilles St. Jacques or Norway lobster. Indeed, as a symptom of the tension which still persists in this traditional area of rivalry, Mr Currie confirmed that the UK is trying to get the EC to launch an anti-dumping action against cheap Norwegian salmon imports.

● On transport: Austria has agreed to issue 1.3m transit licences for EC heavy lorries. This freezes the level of permits for all members except Greece, which gets a 29 per cent increase to 60,500 licences a year. The Greeks, however, insisted on 62,500 permits. At well past the eleventh hour Austria agreed to the addition, on condition that Greece compensated for the top-up by sending twice the equivalent amount of additional traffic by rail through Austria.

Vienna will also expand transit rights through a new system of "Eco-points", rewarding low-pollution vehicles in a scheme to reduce emissions by 60 per cent over the 12-year life of the transit agreement, which starts next year, a year earlier than EEA proper.

Earlier, Switzerland agreed to unlimited passage for EC trucks up to 28 tonnes. In addition, up to 50 trucks of up to 38 tonnes will be able to transit daily each way through Swiss passes, provided they are under two years old, carrying perishable goods or "just-in-time" components for manufacturers, and rail transport capacity is full.

This insistence on rail usage to minimise environmental damage has chimed with EC concerns to increase "combined" or rail-and-road transport, and has led to bilateral agreement with Switzerland and Austria to promote it ambitiously.

Switzerland is to build two new railway tunnels through Gothard (50km) and the Loetschberg (30km) which together will cost more than the Channel tunnel.

Austria and the EC will co-finance a new tunnel through the Brenner pass, and the Community has undertaken to create combined transport links in Germany, northern Italy, and the Netherlands.

● On finance: The Efta nations agreed to supply Ecu2bn (£1.4bn) in soft loans (with a 3 per cent interest subsidy and 2-year grace period) and Ecu425m in grants as a contribution to the EC's structural funds, to help poorer nations like Greece and Portugal to catch up with the rest of the EC. Spain, the main proponent of doubling the Ecu63bn structural funds in the next five-year period beginning in 1993, had wanted much more, and in aid not loans. A Spanish official described the Commission's negotiating stance as "soft".

Brussels had softened its position in these three areas, while standing firm against Efta attempts to secure a more than marginal voice in shaping EC policy and law, or for example, against the alcohol monopolies run by most of the Nordic states.

Brussels and the member states saw the Monday-Tuesday marathon as the last chance for both sides, before the EC became subsumed into its preoccupation with economic, monetary and political union, and Efta members led by Austria and Sweden switched to direct application for membership as preferable to this halfway house which highlights the advantages of full membership.

Yet after three previous failures to iron out their differences, and when a deal looked all but tied up, the treaty hit an unforeseen snag. Spain, the EC's largest fishing fleet, wanted the Efta countries to recognise the right of any of the Twelve to invest in their new associates' fisheries industries, arguing that this is one of the four EC freedoms.

Iceland and Norway strongly resisted this. Exhaustion on both sides led to remarkably swift agreement on a clause providing for a review in 1997, theoretically preserving the right to invest in the future. There are many other loose ends to the treaty, but nobody wanted to highlight them yesterday.

EC-EFTA TREATY: THE KEY POINTS

● Free movement of products in the EEA from 1993

● Efta and the EC must agree a system for classifying which goods will be regarded as originating from within the EEA

● special arrangements will cover food, fish, energy and coal and steel

● Efta will assume EC rules on company law, consumer protection, education, the environment, research and development and social policy

● Efta will adopt EC competition rules on anti-trust matters, the abuse of a dominant position, public procurement, mergers and state aid.

● An independent joint court will deal with EEA-related disputes and all appeals on competition policy.

● From 1993 individuals should be able to live, work and offer services thoughout the bloc. There will be mutual recognition of professional qualifications

● Switzerland, which has strict limits on immigration, has an extra five years to implement the rules fully

● Capital movements will be freed up but there will be restrictions on investment in some types of Efta real estate and on some direct investment.

● Efta can maintain domestic farm policies, rather than join the EC's Common Agricultural Policy

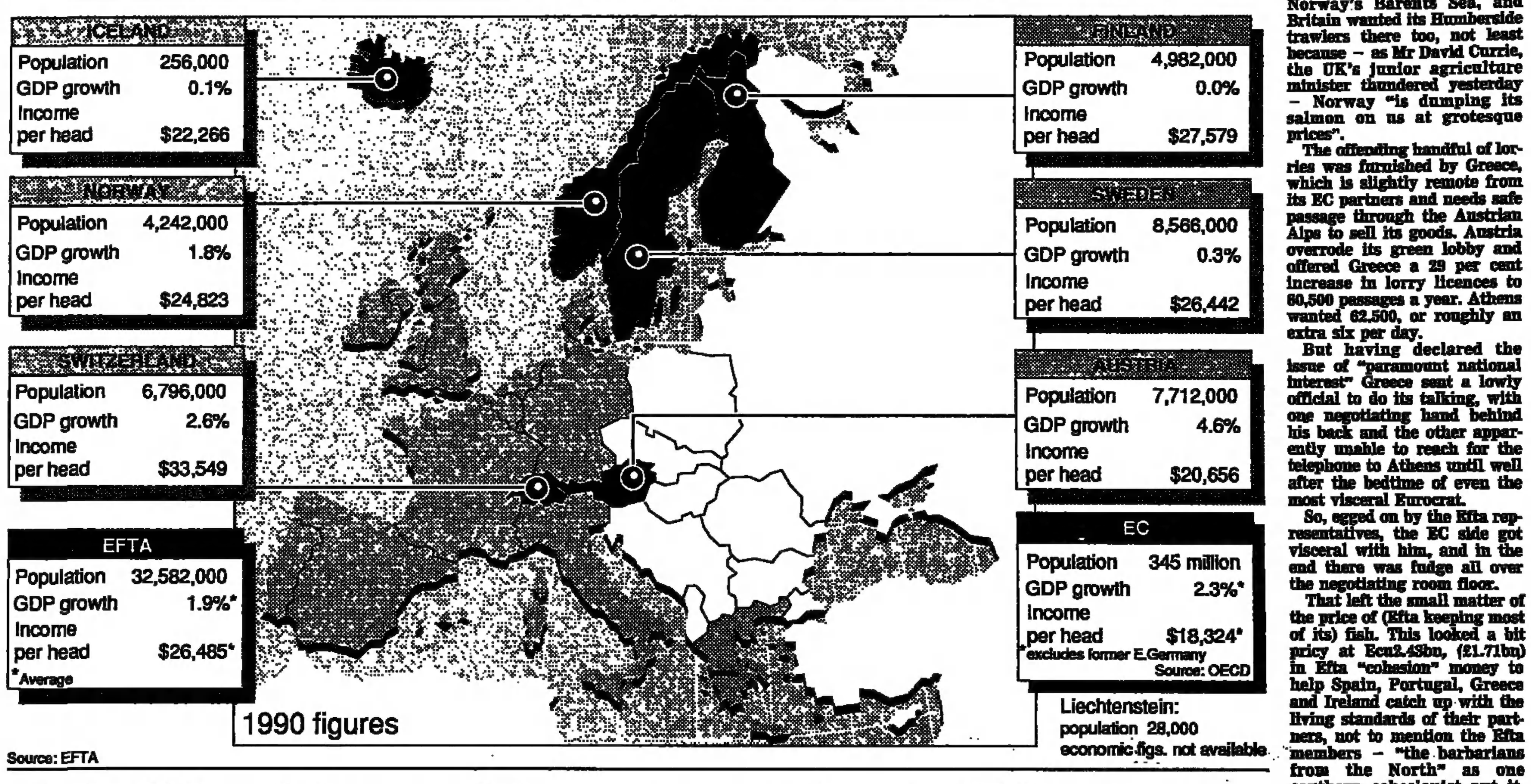
TIMETABLE AND STRUCTURE

Treaty must be approved by the European Parliament and ratified by the parliament of each EC and Efta state

● Efta countries will not be able to vote on EC legislation

● The EEA Council of Ministers will decide by consensus whether to extend new EC legislation to Efta

● There will be reviews every two years – the first at the end of 1993



Source: EFTA

Efta buys entrance ticket with cod

By David Gardner

THE idea that someone might scupper a treaty to create the world's largest common economic area over the price of fish, or through disagreement about a handful of heavy lorries going through Austria's Brenner Pass is a little hard to communicate.

At the European Economic Area concluding talks early yesterday ministers were coming and going, talking about...real fish, potential fish, and paper fish. This was an argument which had rich possibilities of drifting off into a "how many angels can dance on the head of a pin" direction, and wafting the brave new EEA into the outer Nordic and Alpine mists with it.

The argument was, of course, slightly more vulgar. At bottom, Spain's fishing armada wanted more cod from Norway's Barents Sea, and Britain wanted its Humberside trawlers there too, not least because – as Mr David Currie, the UK's junior agriculture minister thundered yesterday – Norway "is dumping its salmon on us at grotesque prices".

The offending handful of lorries was furnished by Greece, which is slightly remote from its EC partners and needs safe passage through the Austrian Alps to sell its goods. Austria overrode its green lobby and offered Greece a 25 per cent increase in lorry licences to 60,500 passages a year. Athens wanted 62,500, or roughly an extra six per day.

But having declared the issue of "paramount national interest" Greece sent a lowly official to do its talking, with one negotiating hand behind his back and the other apparently unable to reach for the telephone to Athens until well after the bedtime of even the most visceral Eurocrat.

So, egged on by the Efta representatives, the EC side got visceral with him, and in the end there was fudge all over the negotiating room floor.

That left the small matter of the price of (Efta keeping most of its) fish. This looked a bit pricy at Ecu2.43bn, (£1.71bn) in Efta "cohesion" money to help Spain, Portugal, Greece and Ireland catch up with the living standards of their partners, not to mention the Efta members – "the barbarians from the North" as one southern cohesionist put it, arguing that they were getting into the Single Market on the cheap.

But in the end, the deal was done. As a voluble EC negotiator put it just before the denouement at 2.40am, "it would be utterly illogical for real politicians not to agree – this is peanuts", although at that stage it was unclear whether the politicians coming and going were real, paper, or potential.

A haggard Mr Piet Dankert, the Dutch minister for Europe whose federalist blueprint for EC political union was trashed by Holland's partners last month, appeared briefly to announce the EEA was born. Still smarting from the political union treaty fiasco, his staff was careful to note that "some 40 points of a sub-order" still had to be tied up.

One of these might provoke a bit of sub-disorder if Mr Ian Paisley and his friends get to hear of it. For the 1,000 page EEA treaty is not only an historic advance for the EC but an historic advance (paper not real) for Irish unity. Since Efta objected to giving "cohesion" money to the UK a sneaky sub-clause in the treaty says the northern Irish will become beneficiaries through the entitlements of "the island of Ireland", ie Ulster and the Republic.

A Dublin diplomat thought that in the ever-widening and integrating Europe launched yesterday, that this paper idea had real potential.

Twin pillars to govern competition policy

By Andrew Hill

A "second pillar" of European competition policy, supervised by the Efta countries, is to be set up under the terms of the EEA agreement. But the EC's merger control regulation will remain the responsibility of the Commission.

The Efta countries are to adopt most of the EC's competition rules – for example, on anti-trust policy, abuse of a dominant position and state aids – and a separate Efta body will be invested with the same powers as the Commission over cases with specific relevance to Efta members.

Competition-related complaints about companies which generate more than 33 per cent of their combined turnover in Efta countries will be examined by the Efta pillar, explained Commission officials yesterday, and Brussels will have to go along with its decisions.

But large mergers between companies based in Efta countries will still fall automatically under Brussels' jurisdiction if they cross the turnover threshold laid down in the EC's year-old merger control regulation. Efta countries will have more of a say in the process, but the final decision will still be made in Brussels.

Most large Efta companies generate the bulk of their turnover outside their home markets, suggesting that the Commission will retain its role as Europe's principal competition watchdog, with Efta granted observer status on the relevant Commission committees.

For example, the alleged abuse of a dominant position for which Tetra Pak, the Swiss-Swedish liquid packaging group, was fined a record Ecu75m (£52m) this year, would probably still have fallen under Commission jurisdiction, because the company is such a large player on the world market.

Efta's competition body may have more work in the field of state aids, however. According to one Commission official, the recent subsidy by the Austrian government to encourage the building of a new Chrysler motor plant in Austria would probably have fallen foul of EC regulations which will be shared by Efta from 1993 onwards.

Pact extends EC banking and insurance rules to Efta states

By Andrew Hill in Brussels

THE EEA agreement makes the EC "single passport" for financial services groups valid across the whole of western Europe at a stroke.

The accord extends the EC's banking and insurance directives to all Efta countries from January 1 1993. EC banks and insurance companies will be able to set up branches in the seven Efta countries, and vice versa.

But there will still be some restrictions on outright takeovers of Nordic banks and insurance companies, part of a gradual move towards the completely free movement of capital across the economic zone.

Norway, for example, will be allowed to keep until January 1995 a rule that foreign investors may not hold more than 33.3 per cent of Norwegian banks and financial institutions, but thereafter the rule must be abolished.

According to EC officials, clauses in the agreement impose restrictions on the purchase of Norwegian securities by outsiders until the beginning of 1995, as well as restrictions on direct foreign investment in Norway and Sweden for the same period.

Companies in Finland, Iceland and Liechtenstein will keep a degree of protection until 1996. Real estate investment in Austria, Finland and Iceland is subject to restrictions until the beginning of 1996, and in Switzerland there is a five-year transition period before foreigners can freely buy land and property.

Such transition periods seem to have dealt with Efta sensitivity about an EC invasion of their vulnerable financial services sector. Swiss fears about EC policy on banking secrecy have also been allayed by allowing the country to make a unilateral declaration that confidential information obtained by banking authorities – as permitted under EC legislation – can only be used in accordance with the supervisors' duties.

Commission officials said yesterday it was unclear how the need for increased consultation with Efta might affect the progress of the EC's knottiest financial services measure, the investment services directive, which aims to standardise European securities regulation and is still stuck in the Commission pipeline.

Irony of EEA sop that spurred flood to join EC

By David Buchan in Strasbourg

THE overriding paradox of the European Economic Area is that it was conceived as a way of sidestepping any immediate enlargement of the EC, but has in fact spurred countries to join the Community club.

After private talks in autumn 1988 with Norwegian prime minister Mrs Gro Harlem Brundtland, who was anxious to avoid Norway having to make an EC membership application that had so divided it in the early 1970s, President Jacques Delors of the European Commission suddenly unveiled the EEA concept in a January 1989 speech to the European Parliament, without even consulting his fellow commissioners.

His idea was that by extending the EC's single market freedoms to the seven Efta countries, the latter would feel less disadvantaged in being formally left out of the Community and would thus not bang on Brussels' door for full admission.

But as negotiations got under way last year, the Efta members began to realise they were taking on economic obligations without political rights.

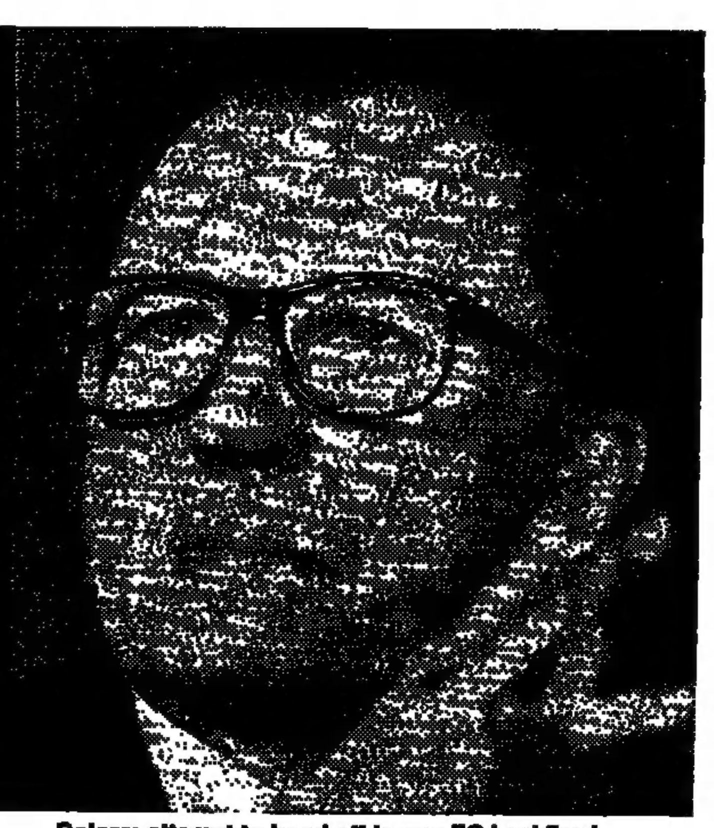
Austria and Sweden decided this was an unsatisfactory half-way house and have applied to join the EC. Finland could decide to apply before the end of the year. Even in Switzerland, the new government now says its goal is EC membership.

Nothing in the EEA would thwart Efta members joining the Community. On the contrary, the EEA accord, reached early yesterday, settles the vast majority of economic issues that any applicant country has to negotiate with Brussels, as the Commission noted in its August opinion on Austria's entry bid.

Efta states will not be taking on the entire EC single market programme. The issues of harmonisation of indirect taxes and of alternative controls on people, animals, plants and goods – all related to the removal of border checks within the EC – will not apply, because Efta states will maintain controls on frontiers with the Community. Nor does the EEA affect Efta's relations with the outside world.

The EEA turns the EC-Efta zone into a highly sophisticated free trade area, but not – at this stage – into a customs union with a common external tariff that would perforce drag Efta into following the EC on trade sanctions and anti-dumping measures against third countries.

Brundtland: failed to defuse membership question



Delors: attempt to head off larger EC backfired

But the EEA's aim is still very ambitious. It is to extend the four "single market freedoms" in the flow of goods, services, capital and labour to Efta. This involves the Efta states slapping onto their statute books some 10,000 pages of existing EC legislation, which they have had no say on, and commits them to taking on more EC legislation which they will have some say in shaping.

Goods already move between EC and Efta duty-free, and flattening non-tariff barriers, like technical standards, has proved relatively easy. This is ironic because it was fear of being discriminated against in the EC single market that put Efta manufacturers solidly behind the EEA accord. The free flow of services (particularly financial), capital and labour has been much harder to arrange, with Switzerland getting five years to create with the EC a common employment market that does not yet exist within its own cantons.

But the main strain will come as the result of Brussels' insistence that Efta states could shape – but not make – the EC laws that form the acknowledged core of the new arrangement. Efta states will be consulted by the Brussels Commission before it goes public with new proposals, and thereafter by working groups of the EC Council of Ministers. But only the Twelve will have the right to vote on EC legislation.

Formally transforming EC into EEA laws will be the job of an EC-Efta joint committee. Efta states can opt collectively, rather than individually, out of, say, an aviation regulation; but if they do, the Community has the right to "re-balance" the agreement by, if necessary, subtracting the whole transport sector from the EEA.

Capping the EEA structure is a joint bench of EC and Efta judges who will rule on EEA issues, while leaving to the EC Court of Justice the sole right to interpret EC law. It is not surprising that Switzerland, with its William Tell legend based on resistance to foreign judges, finds its sovereignty chafed by such a system.

The EEA treaty must be ratified by no fewer than 20 legislatures – the European and 19 national parliaments. The former may cause as much trouble as the latter. MEPs are jealous that outsiders might have as much or more influence in shaping EC laws as they do. Mr Willy De Clercq, chairman of the parliament's external relations committee, yesterday welcomed the EEA agreement, but made clear that the parliament would carefully vet the deal with what another MEP termed "the European Free Ride Association".

MEPs' concerns about the EEA might abate if they themselves get more law-making powers in this autumn's political union negotiation.

As for the deal's economic implications, increasing by only 10 per cent the number of people covered by the EC single market will not produce dramatic results overnight. According to one back-of-envelope calculation by British officials, the effect of a higher level of competition in a larger marketplace might add Ecu1bn (£700,000m) a year to Britain's gross domestic product, or a rise of 0.13 per cent on the 1990 GDP.

A recent study by Mr Victor Norman, a Norwegian economist, shows the EEA's effects are overwhelmingly more important for Efta than for the EC. Little impact is expected on energy, primary metals and forest products which make up 40 per cent of Efta exports to the EC.

The major shake-up will come in Efta's small home markets with a relatively low degree of competition. Efta states can expect to pay less for such services as banking and air transport.

The impact on the EC will be more localised. Hamburg and Copenhagen will benefit from the EC internal market being expanded to Norway and Sweden; likewise southern Germany and northern Italy should benefit from closer links with Austria and Switzerland.

Failure to reach an EEA would have probably accelerated the split-up of Efta, with perhaps Finland propelled into the Community and Norway repelled away from it, as well as sending a discouraging signal to eastern Europe's efforts to establish free trade and political association with Brussels. Success, however, is not guaranteed until the treaty has been ratified by all EEA members. Even then, it may prove only a very temporary staging post towards a wider EC.

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EUROPEAN ECONOMIC TREATY

European Community and Efta member countries already do much of their business together

World trade becomes more of a regional affair

By Edward Balls

THE EUROPEAN Economic Area is both the latest and the largest example of the growing regionalisation of the world trading system. Together the EC and Efta account for almost half of world trade. In 1990 they made up 47.2 per cent of total exports and 46.4 per cent of imports.

More important, the large majority of that trade is conducted with each other: last year 66 per cent of their total trade was conducted with other members of the new EEA; 58 per cent of total Efta exports went to EC countries last year, compared to 53 per cent in 1980.

Intra-regional trade is much more important for Europe than for the US or Japan. The US, currently negotiating a tri-partite North American free trade area, conducted just 33 per cent of its total trade with Canada and Mexico in 1990. Japan conducted just 20 per cent of total trade with other Asian countries helping to explain its lack of enthusiasm for an Asian free trade area.

Opponents of free trade areas say the concentration of internal trade within European weakens the commitment to multilateral free trade and therefore to seeking an agreement in the Uruguay Round.

Mr Richard Blackhurst, chief economist at the Gatt secretariat, disagrees. "If the countries of western Europe want to make trade there more like that between the states of New York and New Jersey, it is hard to imagine how it could be bad for anyone, including the multilateral trading system." The agreement is not expected to delay any conclusion to the Round. In fact, the EEA is in large part a formalisation of existing trade arrangements between Efta and EC members. Prior to the agreement there was already free trade in industrial goods. The agreement adds free trade in services, but not agriculture, and free mobility of labour and capital.

Moreover, the Efta countries have already converged on many of the EC industrial standards contained in the agreement, argues Mr Jeff Schott, a research fellow at the US-based Institute for International Economics. "This agreement effectively codifies what is already going on in the market-place."

The EEA is likely to increase trade between the Efta and EC countries, particularly in services. Trade is currently biased towards manufactured goods, which comprised 87 per cent of total EC exports to Efta last year. On average, for developed countries, manufactured goods comprise 79 per cent of total exports.

The agreement is unlikely to spark a rise in protectionist sentiment. For the EEA, while creating a largely barrier-free internal market, does not imply a common external trade stance. It is not a customs union with a common tariff.

The Efta nations will therefore retain their generally more liberal tariff and quota systems. The lack of a common tariff and exclusion of agricultural products means border controls will remain between Efta and EC countries.

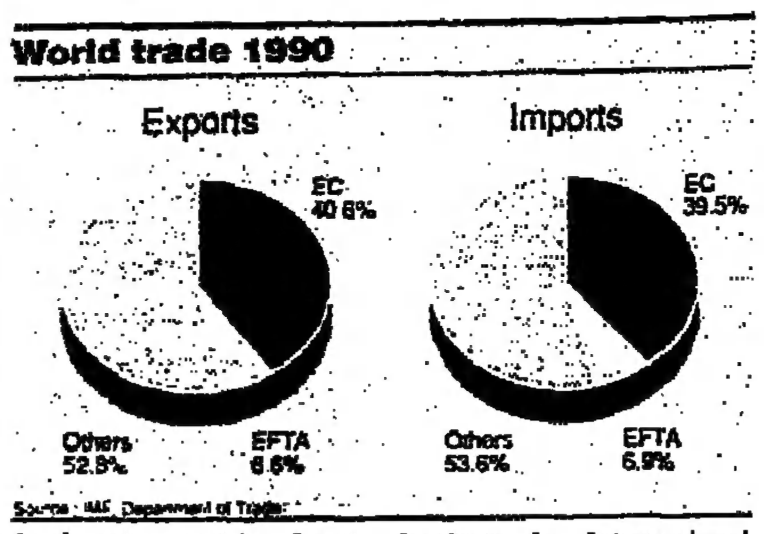
Advocates of the agreement argue that by reducing EC barriers with Efta while not raising Efta barriers to external trade the net effect is to liberalise EC trade policy.

Efta states hope the greatest impact of the agreement will be on inward investment. They feared being excluded from such investment into Europe because multinational companies expected a rise in EC tariff barriers after 1992. "Any foreign investors that were hesitating before will locate in an Efta country now," said one senior negotiator.

The agreement may be viewed as an encouraging sign for the other countries of western Europe who are also looking for free trade agreement with the EC. One senior official said the agreement was a clear signal to eastern Europe that the EC was willing and able to negotiate free trade deals.

Ms Helen Wallis of the Royal Institute for International Affairs, is more pessimistic. "Given the convergence of political, economic and social conditons and the trade interdependence between Efta and EC countries, an agreement ought to have been much easier." For eastern Europe things will be harder still.

World trade 1990



Source: IMF, Department of Trade

Nordic nations heave collective sigh of relief

By Robert Taylor in Stockholm

NORDIC governments reacted with relief yesterday to the creation of the European Economic Area. Employers, unions and political parties all expressed support, the only vocal dissent coming from Norway's fishermen.

Emergence of the EEA is seen as increasing pressure for further structural changes in stagnating Nordic economies to boost competitiveness. But the deal is also increasingly seen as a staging post on the road to full European Community membership in the second half of the 1990s.

Sweden, which applied last July, gave the most favourable reaction. "Now we can go full speed ahead into the EC," said Mr Carl Bildt, prime minister, in Brussels yesterday.

The opposition Social Democrats were enthusiastic, too, while Mr Lars Tuhnmar, head of SAF, the employers' organisation, said the agreement meant rapid and strong measures had to be taken before next summer to adjust Sweden's laws and regulations into line with the EC. The Stockholm bourse staged a modest recovery yesterday.

It is hoped that parliament will approve the treaty before July, paving the way for the EC membership negotiations.

Norway's prime minister, Mrs Gro Harlem Brundtland, described the deal as "good and balanced" because both sides had shown "flexibility and a willingness to negotiate". It would be "easy" for her to recommend it to parliament where a three-quarters majority is necessary for ratification.

While party opinion is divided, with strong opposition in some quarters to any deal, the anti-EEA vote is not expected to block ratification.

Many Norwegian fishermen remain opposed to the deal, however. "The EEA deal has been paid for with Norwegian fish," complained a spokesman from the fisheries employers' organisation. Over the past few days they have been blockading Norwegian ports in protest.

The deal will increase the EC general fishing quota in Norwegian waters from 2.14 per cent to 2.9 per cent of the annual catch by 1997, with an increase in the annual volume from 3,000 tons to 11,000 tons. Duty-free entry for Norwegian fish in the EC market will cover more species so that up to 65 per cent of the varieties will have unimpeded access.

By contrast, Iceland is well pleased with the negotiations. Depending for more than 80 per cent of its overseas earnings on fish, the country was keen to ensure the deal did not jeopardise its interests. Mr Jon Hannibalsson, foreign minister, said that Iceland had "reached its negotiating goals".

Finland, too, is happy with the outcome. The coalition government is experiencing severe domestic crisis as a result of the depressed economy so the news from Luxembourg came as a welcome relief.

The agreement clears the way for an immediate appraisal of whether to seek full EC membership. Some observers believe the government may decide before Christmas.

The willingness of EC negotiators to modify their bargaining position to reach agreement has impressed Nordic governments and silenced critics who argued that Brussels was not concerned to make the necessary compromises needed to reassure Nordic anxieties.

NORWAY and other Efta members will have to dismantle curbs on capital movement by January 1, 1993, under the terms of the EEA accord, the Norwegian Finance Ministry, said yesterday, writes Karen Fossli in Oslo.

Norway relaxed most of its capital movement restrictions in mid-1990, but some still remain. From the end of next year Norwegians will be allowed to purchase life insurance abroad. Investors will also be allowed to buy and sell securities abroad directly from stockbrokers and will no longer be obliged to use just Norwegian brokers.

In addition, there will be no restriction on foreigners lead-managing bond issues in the Norwegian capital market, Norway will also be allowed to keep until January 1995 a rule that foreign investors may not hold more than 33.3 per cent of Norwegian banks and financial institutions.

Austrian officials reckon they have won good deal

By Ian Rodger

AUSTRIAN officials are well satisfied with the terms of the treaty, particularly provisions for reducing lorry pollution in Alpine valleys and for cracking down on cartels and restrictive trade practices.

They believe it will be generally well received by Austrians, and hope it will accelerate negotiations on entry to the European Community. They also see the EEA becoming a useful transit lounge for east European countries seeking to join the EC.

Mr Alois Mock, foreign minister, said he would be asking the Twelve to begin negotiations on Austria's entry as soon as possible next year.

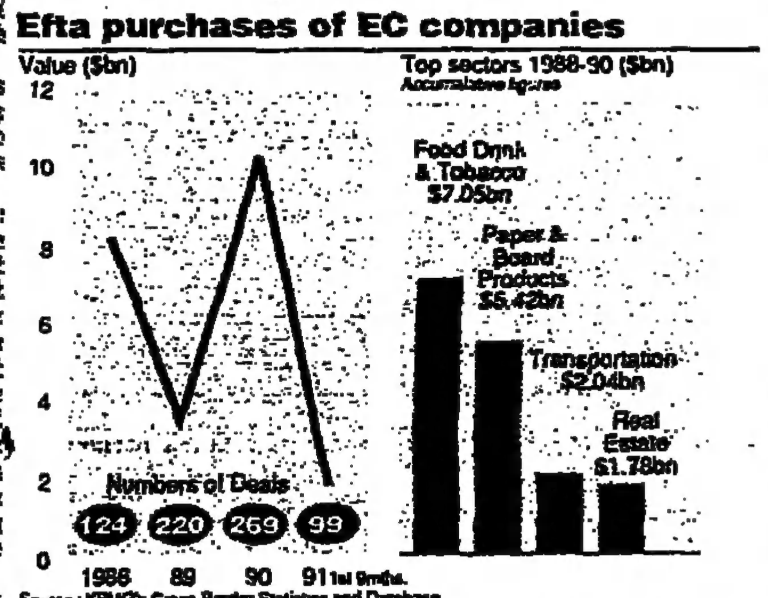
By far the most politically sensitive issue in the EEA negotiations for Austrians was that involving transit rights through Alpine passes for EC lorries. Residents of these valleys, particularly those leading to the Brenner pass south of Innsbruck, will undoubtedly be disappointed that no specific cut in the number of truck movements has been agreed. However, the main aim in the negotiation was to reduce exhaust emissions. Austria had demanded a 65 per cent cut over 10 years, and has come away with 60 per cent over 12 years. Efforts will also be made to divert trans-Alpine freight to rail. "That is quite a good success for Austria," Prof Helmut Kramer, director of the Austrian Institute of Economic Research, said yesterday.

The treaty has skirted the troublesome issue of agriculture, thereby disarming the largest and most powerful industry lobby in Austria. But the Efta countries have agreed to adopt EC competition rules for other sectors. Thus, thousands of small businessmen and professionals will squirm as they are forced to give up various devices that have protected them from competition.

There seems little doubt that Austria will ratify the treaty, although one economist believed Austrians might be influenced by a negative Swiss response. The government does not have to hold a referendum.

The big question is the impact of the EEA agreement on Austria's bid for full EC membership. On the one hand, it has taken care of a lot of the nitty gritty issues – technical norms, administrative harmonisation, competition policy. The foreign ministry said yesterday that 80 per cent of the substance of the negotiations were now completed.

Efta purchases of EC companies



Source: KPMG's Cross-Border Statistics and Database

Politicians follow where business has been forced to tread

By Charles Leadbeater, Industrial Editor

A QUESTION has hung over the large manufacturing groups of the Efta countries since the EC unveiled its plans to create the single European market. Can world class companies reproduce themselves from a base in small domestic economies? That question has been answered with an emphatic "no".

Sweden and Switzerland have been case studies of how small economies can produce companies capable of competing with the largest in the world. Sweden has the likes of Volvo (car manufacturing), Saab-Scania (vehicles and aerospace), Electrolux (consumer appliances), Ericsson (telecommunications equipment) and SKF (bearings).

Swiss success in chemicals and pharmaceuticals, (Ciba-Geigy, Sandoz and Hoffmann la Roche) combined with their prowess in precision instruments and financial services has created a prosperity which has fulled demand for luxury goods made by companies such as Bally (shoes) Rolex (watches) and Hanro (clothes).

The competitive threat from Community companies with a wider base to rest upon has already combined with a year of recession to force Efta companies into important changes of strategy.

Scandanvian Airlines System (SAS) and Saab-Scania are leading examples of companies which have responded to growing competition and recession by cutting costs and shedding cherished customs of employee security.

Companies within Efta have sought alliances with one another. SAS is integrating more closely with Swissair and Austrian Airlines. The classic example is Asea Brown Boveri, the Swedish-Swiss engineering combine which towers over the European industry.

But, increasingly in the past few years, Efta companies have invested in the EC to secure a foothold in the single market.

OECD figures show that between 1982 and 1985 the EC was the destination for only 28.3 of foreign direct investment from the six EFTA economies. Between 1986 and 1988 the EC share rose to 58.8 per cent. In the same period, the share claimed by North America, traditionally the main destination for Efta foreign investment, fell from 47.6 per cent to 12.9 per cent.

Scandinavian and Nordic companies went on a pre-single-market buying spree last year. Companies such as Neste, the Finnish chemicals producer, Svenska Cellulose, the paper-maker, and Nobel Industries, the Swedish conglomerate, paid premium prices to get inside the EC. The value of Scandinavian and Nordic acquisitions in western Europe rose from 283 deals with a value of £2.12bn in 1989 to 413 bids worth £9.4bn in 1990, according to the magazine Acquisitions Monthly.

A parallel shift has taken place in EC investment. Between 1982 and 1985 the EC accounted for only 17 per cent of inward investment into Austria, Finland, Norway and Sweden. Between 1986 and 1988 that rose to 41 per cent.

What consequences might the agreement have for these companies' strategies? It may slow the investment surge as Efta-based companies become confident they will get access to EC markets without necessarily producing within them.

The opening of public markets should also force the pace of industrial restructuring in some sectors such as information technology where Efta economies still support small producers like Norsk Data in Norway which rely heavily on public purchasing.

However, in a number of sectors, such as cars and chemicals, producers say trade between Efta and the EC has long been as free as it is between the member states. The agreement will add little to the already intense competitive pressures in these industries.

It may reduce the risk to Efta companies of the EC adopting protectionist policies but its immediate industrial consequences may be limited.

Moment of truth approaches for Swiss

By William Dullforce in Geneva

AGREEMENT on a 19-nation EEA was always going to set off political ferment in Switzerland, the most awkward and toughest of the Efta countries during the negotiations.

By announcing immediately that the government's objective was now full EC membership, Mr Jean-Pascal Delamuraz, economics minister, and Mr Rene Felber, foreign minister, have ensured that the federal parliament elected last weekend and the Swiss people will enjoy a season of full political turmoil. The four-party centre-right coalition which has run the confederation since 1959 might even break apart.

Under Switzerland's direct democracy the treaty will not only have to be approved by parliament; it will also have to be put to a national referendum, probably towards the end of next year, in which it must be accepted by a majority of the 26 cantons as well as by an overall majority of voters.

If the referendum were held tomorrow, pro-EEA majorities would not be found in enough cantons. The general election last weekend saw a swing in the German and Italian-speaking cantons towards right-wing groups which ran anti-immigrant campaigns and were also known to oppose EC membership for Switzerland.

The main political parties are divided internally about the EC issue, which their candidates largely evaded during the election campaign.

In a confederation of four ethnic groups and languages which has learnt to function by consensus, there is simply no consensus about future relations with the EC. Many Swiss have a visceral fear that EC membership would undermine their system of direct democracy, federalism and neutrality. Decisions taken collectively within the EC can scarcely be put to Swiss referendums.

Yet, another Swiss virtue is pragmatism and most people are also aware that their economic interests cannot be preserved in isolation from the Community.

Nearly 60 per cent of their exports go to the 12 EC states from which they take over 70 per cent of their imports. Some 45 per cent of Swiss foreign investments are in the EC. Swiss companies employ 1m EC citizens.

The Swiss banks do 45 per cent of their foreign business in the EC. Last year 44 per cent of the premium income of Swiss insurance companies came from the Community.

Participation in the EEA should add between 0.3 and 0.5 per cent in annual growth to Switzerland's gross national product over the next 10 years, according to a study commissioned by the government.

Brundtland joins race for top post at United Nations

By Michael Littlejohns, UN Correspondent, in New York

MRS Gro Harlem Brundtland, Norway's prime minister, has become the first woman to be proposed for the post of United Nations secretary-general.

A growing list of official candidates includes three foreign ministers – Mr Hans van den Broek of the Netherlands, Mr Raul Manglapus of the Philippines and Mr Thorvald Stoltenberg of Norway.

A fourth foreign minister, Mr Ali Alatas of Indonesia, was proposed by his government yesterday.

Mr Brian Mulroney, Canada's prime minister, was also said to be among the official candidates, although he denied yesterday that he was seeking the job.

The UN Security Council was expected to resume discussions behind closed doors today. It hopes to be able to send a nomination to the General Assembly by the end of the month.

Mr Javier Pérez de Cuéllar, the incumbent, completes his second five-year term on December 31. No secretary-general has served more than two terms, but in the event of a deadlock some diplomats say he might still be asked to remain in office for a year or two. An impasse could occur in the Security Council itself or as a result of a disagreement between the council and the General Assembly on a nomination.

The African states are conducting a vigorous campaign based on their contention that after three European secretaries-general, one Asian and a Latin American, the time has come for an African to occupy the UN's highest office.

There are 50 African members – and many more states, including China, which has veto power – that sympathise with this argument. A non-African might therefore find it hard to muster the necessary majority.

In a straw poll among council members, two African candidates – Mr Boutros Boutros Ghali, Egyptian deputy prime minister, and Mr Bernard Chidzero, finance minister of Zimbabwe – each received 10 votes, one more than the required majority in the absence of any veto.

Gro Harlem Brundtland: no indication of interest

Mr Kenneth Dadzie of Ghana, a long-time senior UN official, received seven votes. African candidates who did not fare so well included former Nigerian president Mr Olusegun Obasanjo, Mr James Jonah of Sierra Leone and Mr Michel doo Kingue of Cameroon, both UN under-secretaries-general.

Prince Sadruddin Aga Khan, who is in charge of UN relief work in the Gulf, has also formally allowed his name to go forward.

His aspirations were already known but he had not been an official contender.

Mrs Brundtland has been mentioned repeatedly for some months. She still has not given any public indication of an interest in the office. Mr Mulroney's name came up only recently as did those of Mr van den Broek and Mr Stoltenberg, a former UN official.

The identities of council member that proposed the new candidates were not disclosed.

France has been canvassing support for Mr Ghali, who is a Paris-educated lawyer, and Britain is said to be inclined to vote for Mr Chidzero, at least in early balloting.

World Bank refocuses its gaze on plight of the world's poor

New president indicates he has not forgotten traditional clients in the third world, writes Michael Prowse

DELIVERING his first big speech in Bangkok last week, Mr Lewis Preston, the World Bank's new president, made a point of affirming his "personal commitment" to poverty reduction in developing countries.

With the Soviet Union monopolising the attention of bankers and finance ministers at the IMF/World Bank annual meeting, Mr Preston was clearly trying to signal that he had not forgotten the bank's traditional clients in the third world. That said, the emphasis he chose to place on poverty relief came as a surprise.

After 40 years as a Wall Street banker, Mr Preston might have been expected to echo the US Treasury's line, which is that the bank's main goal should be to promote the private sector in developing countries. Failing this, he could simply have said that promoting economic growth was his principal aim, on the assumption that the poor would eventually benefit from "trickle down" effects.

Instead he stated unequivocally that poverty alleviation was the bank's "overarching objective".

If Mr Preston is serious, the bank could be entering a new policy phase. Mr Robert McNamara, the bank's energetic president in the 1960s and 1970s, regarded poverty reduction as his central task. But, reflecting the tide of intellectual opinion, the bank's priorities shifted in the early 1980s.

With the expansion of structural adjustment lending, greater emphasis was placed on liberalisation of markets, privatisation of state enterprises and other measures intended to boost economic efficiency. The bank now seems to be reverting to its earlier view that growth *per se* is not enough.

A policy paper* published to coincide with Mr Preston's speech sets out an operational strategy for reducing poverty.

The most striking recommendation is that the volume of the bank's lending "should be linked to a country's effort to reduce poverty". If a country is not following appropriate policies, it says, "external assistance is unlikely to be effective in either promoting efficient growth or reducing poverty, and significant flows of bank assistance cannot be justified".

This is potentially a radical departure: in effect the paper is saying that bank lending should be conditional not only on the economic efficiency of policies but also on their social justice.

How will the bank decide whether a borrower is making a sufficient effort to reduce poverty?

In Bangkok both Mr Preston and Mr Michel Camdessus, the IMF's managing director, stressed the importance of cuts in military spending. In some third world countries spending on arms exceeds that on health and education combined.

In such cases, cuts in military budgets will be crucial in releasing resources for poverty reduction. The policy paper, however, goes beyond calls for lower defence spending to develop general criteria for assessing the quality of anti-poverty programmes. Building on analysis in the 1990 World Development Report, it says countries will have to show their commitment to poverty alleviation in two ways.

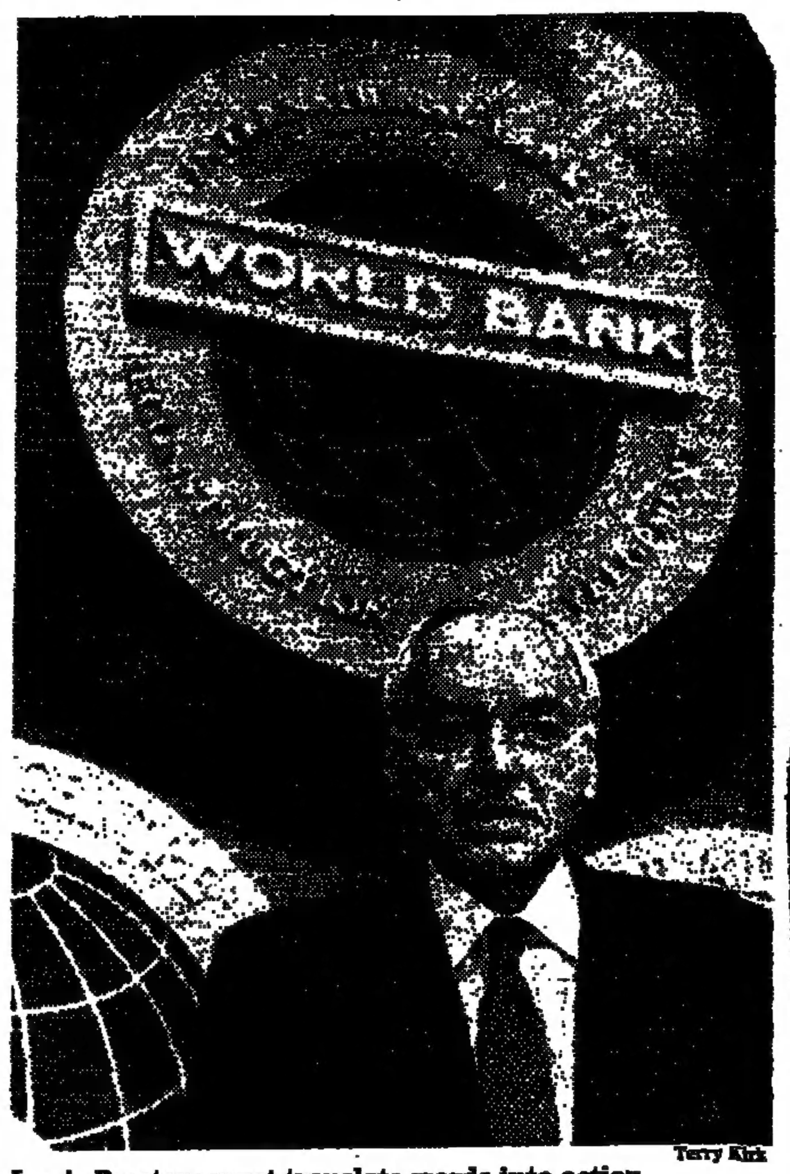
Firstly, they need to pursue growth strategies that "absorb and make productive use of the poor's most abundant resource – labour". This means investing in agriculture and labour-intensive forms of manufacturing, rather than big capital projects.

Secondly, they need to develop social services, especially primary education, basic health care, family planning and nutrition. Such investment directly improves living conditions while increasing the poor's capacity to respond to economic opportunities arising from growth.

Making loans conditional on a country's commitment to reduce poverty will also require changes in the way the bank conducts business. The report says analysis has previously focused mainly on the efficacy of a borrower's policies as a means of enhancing growth. In future it needs to be expanded to include periodic assessments of "the consistency of each country's policies, programmes and institutions with the reduction of poverty".

The design of programmes, meanwhile, must now reflect the need to "support and complement a country's efforts to reduce poverty".

The bank's many conservative critics in Washington have long alleged that most development assistance is useless – if not detrimental – as it is impossible to ensure it reaches those most in need. The bank's search for ways to link lending more closely to the success of anti-poverty policies can be seen as a partial response to such criticism.



Terry Kirk

Lewis Preston: must translate words into action

Mr Preston's willingness to speak out on poverty will be widely welcomed in the development community. It suggests he will be his own man at the bank, and will not serve as the de facto representative of the US, the biggest shareholder.

But he will eventually be judged less by his rhetoric than by his ability to translate words into effective action.

* *Assistance Strategies to Reduce Poverty. The World Bank, 1818 H Street N.W. Washington DC 20433.*

Iraqi food prices 'climb by 1,500%'

By Mark Nicholson

MOST Iraqi households have plunged below Indian levels of poverty as a result of the Gulf war and the economic embargo, according to a study co-ordinated by Harvard University.

The report, compiled by 87 specialists during a two-week visit in late August, found that real earnings had fallen to between 5 and 7 per cent of levels before the Iraqi invasion of Kuwait, while food prices had risen by between 1,500 and 2,000 per cent.

The study, the most detailed into the state of post-war Iraq, says the combined effects of the war and the embargo have devastated Iraq's economy, with agricultural output 70 to 75 per cent down on the previous year and industrial output down by half.

It says real wages in Iraq are now among the lowest in the world and that "a majority of Iraqi households are below the Indian 'poverty line'" – calculated in India as the level of income at which basic calorie requirements are met.

The report says Iraq showed signs of outright famine during the war and, while the situation has eased slightly since, "living conditions in Iraq remain extremely precarious".

The report, written by Prof Jean Drèze of the London School of Economics and Mr Haris Gazdar, a lecturer in economics at Sussex University, argues that food and other humanitarian needs in Iraq can be met only by allowing the country to export more than the 1.6m barrels of oil currently permitted by the UN as an exception to the embargo imposed immediately after Iraq's invasion of Kuwait last August. Iraq has so far not taken up the opportunity to sell the oil.

To meet broader needs, including fuel, health requirements and shelter, the report says Iraq should be allowed to resume trade.

It praises Iraq's emergency food distribution system as effective and equitable in areas under central control.

● Saudi Arabia's human rights record came under fire yesterday from Article 19, the anti-censorship organisation, Victor Mallet writes.

A report called Silent Kingdom documents the harassment, detention and torture of journalists, writers and academics. It says universities are forbidden to study Freud, Marx or western philosophy and art, and concludes that freedom of expression is violated.

Meanwhile, Egypt was also criticised yesterday for continuing to torture on political detainees. In a report Egypt: Ten years of torture, Amnesty International, the human rights group, said victims were often blindfolded, beaten and subjected to electric shocks.

Chances of ceasefire grow in El Salvador

By Damian Fraser in Mexico City

EL SALVADOR'S government and representatives from its guerrilla opponents, the FMLN, ended 10 days of peace talks yesterday, with UN mediators, rebel leaders and government representatives claiming that a ceasefire could be agreed by the end of the year.

"This has been an enormous round of progress," said a UN spokesman, who hoped an accord could be signed before Mr Javier Pérez de Cuéllar ended his term this year as UN secretary-general. Agreement, he said, had been reached on some 75-80 per cent of the points under negotiation.

Mr Jorge Shafik Handal, of the FMLN, quoted in the Mexican press, said the two sides had agreed to dismantle the National Intelligence Directorate, suspend the forced draft, and wind up the country's paramilitary groups.

The talks in Mexico concentrated almost exclusively on the future of the El Salvador army, and were based on an agenda drawn up after the breakthrough accord reached in New York in September.

Despite the public optimism, the government and FMLN have still to agree on:

● The organisation of the civil police. The government and guerrillas have not established the criteria under which rebel forces would be admitted to the police force.

● The "purification" of the armed forces. The rebels have long wanted to remove 35 notorious human rights violators from the Salvadorean army, which the government objects to. In New York last September the two sides agreed to set up a commission to review military records, *but the government* and rebels disagree over whether foreigners should be allowed on the commission.

● The reduction of the armed forces. The FMLN would like a greater reduction in the 56,000-strong army than the government is willing to concede.

Since the latest rounds of talks begun, fighting in the country has intensified, as the sides try to secure territory before a ceasefire is signed.

LEGAL NOTICES

No.0011538 of 1991
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF LONDON ARAB INVESTMENT BANK LIMITED
AND
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 9 October 1991 presented to Her Majesty's High Court of Justice for the confirmation of reduction of capital of the above named Company be reduced from £15,000,000 to £12,051,373.80.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Hoffmann at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday 4 November 1991

Any creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said reduction of capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated the 18th day of October 1991.

LAWRENCE GRAHAM
190 Strand
LONDON WC2R 1JN
Solicitors of the above named Company

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER
LEXINGTON INVESTMENTS LIMITED
Registration number: [illegible]
Former company name: Lexsolind Limited.
Trading name: Lexington Investments Limited.
Nature of Business: Property Investment.
Trade Classification: 38.
Date of Appointment of administrative receiver: 16th October 1991.
Name of person appointing the administrative receiver(s): Hill Samuel Bank Limited.
Administrative Receivers:
Scott Barnes, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
Iain Allan, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
Office Holder Numbers:
[illegible] 6678

ADVANCED COATINGS LIMITED

Registered number: 2283365
Nature of business: Spray painting of components for the Motor Industry
Trade classification: 07
Date of appointment of joint administrative receivers: 14 October 1991
Name of person appointing the joint administrative receivers: National Westminster Bank PLC
LYNN ROBERT BAILEY and STEPHEN JONATHAN TAYLOR
Joint Administrative Receivers
(Office holder nos 8486 and 7821)
of Cork Gully
Abacus House
32 Friar Lane
Leicester
LE1 5RA

COMPANY NOTICE

LEUMI INTERNATIONAL INVESTMENTS N.V.
US $100,000,000
GUARANTEED FLOATING RATES 1998
(Extendible at the Holder's Option to 2001)
The interest rate applicable to the above Notes in respect of the interest period commencing 23rd October 1991 has been fixed at 5 11/16% per annum.
The interest amounting to US $144.56 per US $5,000 principal amount, to US $289.11 per US $10,000 principal amount and to US $2,891.15 per US $100,000 principal amount of the Notes will be paid on 23rd April 1992 against presentation of coupon No. 1.
BANK LEUMI (UK) PLC
Principal Paying Agent
bank leumi בנק לאומי

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California death toll after fire reaches 14

By Louise Kehoe in San Francisco

FIRE CREWS continued to battle sporadic fire outbreaks in the Oakland-Berkeley hills yesterday, as local officials declared the blaze the most destructive in US history.

The death toll rose to 14 as more bodies were found. Five people are missing and 150 have been injured, with over 5,000 homeless. Damage estimates kept rising.

Red Cross officers who toured half the fire-torn area, counted 1,800 charred buildings. Oakland City's property damage estimate remained at $1.5bn (£870m). Insurance companies expect the figure to double when a full inventory is assessed.

Home prices in the three square-mile area in the hills above Oakland and Berkeley , which commands magnificent views of the San Francisco Bay, range from about $600,000 to well over $2m.

In addition to claims for the destruction of many expensive homes, insurers anticipate large numbers of claims for smoke damage from home-owners in surrounding areas.

State Farm Insurance, California's biggest property and casualty insurer, is estimated to hold 20-30 per cent of home-owners' policies in the ravaged area. It expects to pay 4,000 claims in the worst-hit area, plus 3,000 for smoke damage. State Farm put its initial claims estimate at $50m-$75m.

Allstate Insurance with 17 per cent of the property/casualty insurance in the affected area, said claims could total $50m. Farmers Insurance, owned by BAT Industries, with a 12-15 per cent share of home-owners' insurance in the San Francisco Bay Area, could not yet estimate claims. Mr John Garamendi, California Insurance Commissioner, said the reinsurance market would bear the brunt of costs.

Saudi oil clean-up to cost $450m

SAUDI Arabia has earmarked $450m to rid its shores of crude oil that flooded the Gulf during the war over Kuwait, a Saudi environmental official said yesterday . **Reuter reports from Dubai.**

"We have budgeted $450m to clean 644km (400 miles) of shoreline polluted by oil," Mr Nizar Ibrahim Tawfiq, vice president of the Meteorology and Environmental Protection Administration of Saudi Arabia said during the opening session of a two-day environment conference in Dubai.

Mr Tawfiq said Riyadh would have to spend twice that much if it also wanted to immediately rehabilitate salt and mud flats, mangrove swamps, marshlands and other sensitive areas devastated by crude oil.

He said the biggest oil spill in history had left 1.7m barrels of oil on Saudi shores. Between six and eight million barrels of crude were released from tankers and loading terminals in Kuwait during the six-week Gulf War.

"We have also recovered around 1.4m barrels of oil and the rest has either evaporated or is deposited on the sea bed and will have severe effects on coral reefs and sea-grass," Mr Tawfiq said. "Natural processes will bio-degrade this oil but it will take time."

The US-led allies blamed the spill on Iraq, which maintained that allied bombing was the cause.

"The clean-up operation will start soon and is expected to last 15 to 20 months," Mr Tawfiq told the delegates, adding that work had already been done to clean up some islands and parts of the shoreline.

US wary on nuclear claim by Pakistan

By George Graham in Washington

US . OFFICIALS reacted cautiously yesterday to reports that Pakistan had claimed to possess nuclear weapons.

The claim was reportedly made by Mr Abdul Qadir Khan, Pakistan's leading nuclear scientist, at a dinner attended by businessmen and industrialists in Karachi on Monday.

Karachi's daily newspaper Dawn quoted Mr Khan as saying that, whether anyone believed it or not, Pakistan had become a nuclear power and that it was now concentrating on manufacturing sophisticated arms in order to meet its needs.

Nuclear proliferation specialists in Washington said, however, that Mr Khan had repeatedly made similar statements over the past 15 years, only to deny them subsequently.

"The net effect is to create the perception that they have nuclear weapons without conducting a nuclear test," said one observer.

The US cut off all economic and military aid to Pakistan a year ago after President George Bush was unable to certify that the country did not possess nuclear weapons.

Non-possession of the weapons was a condition which Congress had attached to aid under a 1985 law – and little further action is thought likely.

The Pakistan government has consistently maintained that its nuclear programme is for peaceful purposes only and is designed to meet the country's future energy needs.

A nuclear arms programme is, however, widely supported by Pakistani voters.

Dawn said Mr Khan's statement was greeted by "a wave of jubilation" among the businessmen in his audience.

The Bush administration tried earlier this year to persuade Congress to lift the strict conditions imposed on aid to Pakistan under the 1985 legislation known as the Pressler amendment. Congressional opposition to any relaxation of these conditions, however, remained strong.

At the same time, Mr Nawaz Sharif, the Pakistani prime minister, proposed negotiations between his country and India, with the US, Soviet Union and China, aimed at stemming nuclear proliferation in south Asia.

Unlike India, which exploded a nuclear device in 1975, Pakistan has never tested a nuclear bomb.

Brazilian sell-off at risk again

By Christina Lamb in Rio de Janeiro

THE withdrawal of all but one of the main bidding groups from Brazil's troubled first privatisation has raised the prospect that the sale, due to go ahead tomorrow, may end in fiasco.

This would jeopardise plans to reduce government debts through an $18bn (£10.4bn) privatisation off programme planned for the next two years.

The first attempt to sell Usiminas, the country's largest steel mill, failed last month amid legal battles challenging both the methods and validity of the sale.

Violent union protests also prevented investors entering the Rio de Janeiro stock exchange, where the auction was due to take place.

Although only one of the original bidding groups remains interested, negotiations are under way to form new ones.

Legal uncertainties still cloud the sale of 75 per cent of Usiminas. The Brazilian Congress is due to vote today on a provisional measure allowing debt instruments to be used as currency in the auction but, even if this passes, legal challenges in the regional court of Minas Gerais mean the sale is almost certain to proceed *sub judice*.

The main contending group, led by Belgo-Mineiro, the multinational steel company, announced its withdrawal on Monday. The group, advised by J P Morgan, blamed "legal uncertainties regarding the finality of the transaction" and "changes in the quality and quantity of available currencies".

Haiti's isolation increases as aid agencies withdraw

HAITI'S isolation is increasing as a growing number of international aid projects shut down after the military coup that ousted President Jean-Bertrand Aristide, Reuter reports from Port-au-Prince.

The US Agency for International Development this week announced a comprehensive shutdown of its $90m Haiti operations in a letter sent to local organisations that implement its programmes.

The World Health Organisation has evacuated employees and their families.

One WHO employee said nearly all operations were to be suspended to step up "political pressure" on Haiti's new military-backed government. He attributed the move to the WHO's intent to support a planned trade embargo by the Organisation of American States (OAS) demanding Aristide's reinstatement. He was ousted on September 30 by army officers.

Haiti has become heavily dependent on aid and development programmes which are financed by Western donor governments and international agencies.

Many of the programmes are aimed at providing clean drinking water, educating citizens about AIDS, preventing epidemics of typhoid and cholera, and replanting millions of acres of forests and trees.

Foreign aid specialists expressed surprise at the scope of the shutdown, especially as humanitarian aid is exempted in the trade embargo the OAS adopted on October 8.

President Aristide swept elections last December that were supervised by the UN and the OAS. The radical priest is now in exile in Venezuela.

A provisional president, Joseph Nerette, was installed under military pressure but is seriously ill and has not been seen in public for more than a week.

According to the letter from the Agency for International Development, a clause in the 1991 US Foreign Assistance Appropriations Act required a complete aid cut-off in "any country whose duly elected head of government is deposed by military coup".

In a similar punitive aid cut-off after military-backed violence sabotaged an attempt to hold elections in November 1987, the US agency suspended only aid to the Haitian government and continued to channel humanitarian assistance through private organisations.

The WHO's two evacuation flights last Sunday were just "an orderly departure by non-essential employees and their families that does not mean we are closing our doors," a WHO official said.

But an insider, who was offered a seat on one of the aircraft, said the organisation's decision is expected to spread to other UN agencies operating in Haiti, such as the UN children's fund and the development programme, which so far have kept many operations going and maintained foreign staff.

The position taken by the US government on aid was contrasted by some Western diplomats with what they view as its wavering on trade sanctions, still to be implemented by any of the OAS member countries.

"The Americans have been talking of excluding all sorts of products from the embargo, including gasoline," one diplomat said.

"They say they are scared of killing off an already moribund economy beyond any hope of resurrection."

The position of other donor governments on aid seemed to be in a state of flux.

Japan was expected to follow the US, Canada was keeping humanitarian aid flowing through some private organisations, and France has suspended aid operations although it has made no move to repatriate staff members.

New Democrats win third Canadian province

CANADA'S left-leaning New Democratic party has won a landslide election victory in the prairie province of Saskatchewan, giving it control of three provinces with more than half the country's population, writes Bernard Simon in Toronto.

The NDP, which took office in Ontario a year ago and in British Columbia last week, won 53 of 66 seats in the Saskatchewan legislature. The Progressive Conservatives, which have ruled the province since 1982, won 12 seats.

Saskatchewan is the world's largest uranium producer. But, despite the NDP's general aversion to nuclear power, the new government is unlikely to restrict the uranium industry.

The Saskatchewan party's leader, Mr Roy Romanow, is one of Canada's most respected politicians and is likely to play a key role in talks to keep Quebec in the federation.

103

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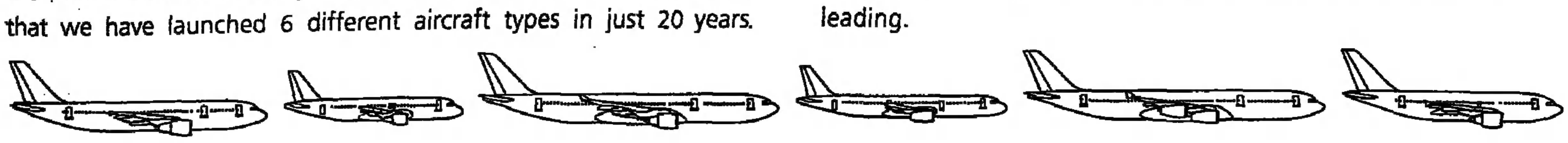

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Yugoslav army chief edges country closer to all-out war

By Laura Silber in Belgrade

GENERAL Veljko Kadijevic, the Yugoslav federal defence minister, yesterday called for the immediate mobilisation of Serbian reservists in an apparent move towards all-out war against Croatia.

As the army came within three miles of the historic centre of Dubrovnik, the besieged Croatian port on the Adriatic coast, the army leader lashed out at what Serbia sees as an unacceptable political solution being forced on it by the international community.

At a meeting of the rump state presidency, made up of Serbia and its three allies, General Kadijevic denounced as "catastrophic" the European Community peace plan, proposed last Friday in The Hague, to create an association of six independent republics.

Yesterday the Netherlands, current president of the EC, said the Community would present a more formal version of its plan to the country's leaders at peace talks on Friday.

The presidents of Yugoslavia's six republics and its eight-man collective federal presidency have been invited to a plenary session of the EC-sponsored Yugoslavia conference.

Gen Kadijevic told the state presidency "legal and political means," in addition to the mobilisation, should be used to "stop (those) seeking to impose an unacceptable solution on those nations who want to remain in Yugoslavia."

Backed by the presidency, he said the further mobilisation would halt "internal and foreign forces," through EC negotiations or on the battlefield, from "destroying Yugoslavia".

Gen Kadijevic criticised Germany for using "fascist methods" to "stage an attack on Yugoslavia for the third time this century".

His hardline speech called for the transformation of the army – an announcement which may signal the creation of an army from Serbia and Montenegro, a close ally of Serbia.

Despite threats of economic sanctions and international isolation, Serbia under president Slobodan Milosevic appears ready with the army to stage an all-out war. There were fears of an imminent political crackdown in Belgrade, the Serbian and federal capital, to clamp down on opponents to the war. Men went into hiding fearing another wave of forced mobilisation throughout Serbia.

In a sign of General Kadijevic's plan to "stop the Croatian fascists", the federal army yesterday entered Kupari, just three miles south of Dubrovnik, according to Tanjug, the Belgrade-based news agency. Croatian radio claimed 20 federal soldiers were killed on Monday in fighting around Dubrovnik.

Tanjug also reported fierce artillery and mortar duels around Vukovar, eastern Croatia. Croatian radio said 250 mortars and rockets pounded the town which has been under siege for two months.

Snow, rain and mud have thwarted fighting in most of eastern and central Croatia. But army assaults have virtually destroyed four tourist resorts near Dubrovnik, under siege for three weeks.

● In an attempt to compensate for an oil shortage caused by fighting in Croatia and a drop in deliveries from the Soviet Union, Yugoslavia in the first eight months of 1991 imported 1.6m tonnes of crude oil from Iran.

Mr Bozo Jovanovic, the acting minister for foreign economic relations, said Iran was expected to deliver 250,000 tonnes of crude oil and 133,000 tonnes of diesel and other oil products each month until the end of 1991.

Russian church steps into the spiritual breach

The head of the Orthodox church is to visit Britain this week, Gillian Tett and Leyla Boulton report

AS THE WEST prepares to provide aid to a cold and hungry Soviet Union this winter, black-robed Russian Orthodox priests in Moscow's gold-domed Danilovsky Monastery are getting ready to assist.

They plan to distribute boxes full of baby clothes, donated by a German charity, to some of the 12,000 Russian Orthodox parishes operating throughout Russia.

"With the Russian people now facing such crisis, the church has an urgent mission to serve the people and find a way of giving them hope," explains Father Vladimir Veriga, who heads the humanitarian operations.

His message is likely to be echoed this week when Patriarch Aleksiy II, the head of the Russian Orthodox Church, makes an official visit to Britain to meet church leaders and political figures in the first such trip by a Russian patriarch since 1964.

As the old communist ideologies collapse, both western and Russian observers are wondering if a resurgent Russian Orthodoxy, whose churches are increasingly packed with enthusiastic believers, may step in to fill the spiritual vacuum.

"Old structures have collapsed but new ones are not in place. . . People are losing faith in the future and in their political leaders," says Metropolitan Kyrill, the church's external relations chief, who will accompany the Patriarch.

Whether the Russian church should seek such a dominant role is open to question. Growing Russian nationalism and the new religious freedoms have left the church basking in popularity, it also faces increasingly strong criticism, particularly from some Russian political reformers.

Aleksiy II, head of the Russian Orthodox church, blesses worshippers outside the Kremlin

They fear that the church could become a focus for less attractive aspects of Russian nationalism, and question the political orientation of its leaders.

"The current leaders of the church have all risen to power under the old system, which means that even if they were never KGB agents themselves, they rose with KGB approval," says Mr Alexander Nezhny, a Russian writer who has spent several years researching links between the KGB and the church.

Metropolitan Kyrill acknowledges that the church still bears the marks of the past – a "mark of human sin and imperfection" – and he believes that the church was right to compromise with Stalin and subsequent communist rulers.

The alternative was annihilation, he says.

Following the defeat of the August coup in the Soviet Union, a partnership appears to be emerging between the church and Russia's new "democratic" reformers.

"When the issue came up during the coup of whether to support Yeltsin, there was not a minute of doubt in doing so," he says.

However, critics such as Mr Nezhny remain sceptical, arguing that the Patriarch's statement condemning the coup - one of the first such statements made by public figures - owed more to the astuteness of his press officer than to genuine democratic beliefs.

"The church leaders' political style is still essentially authoritarian, and not at all suited to democracy," he says, pointing out that during the course of its thousand-year history it has repeatedly acted as a state church, supporting dictatorial regimes.

According to an article last week in one of the leading Russian independent newspapers, Nezavisamaya Gazzeta, divisions already dog the church and these post-coup recriminations could fuel a split.

Relations are reportedly becoming more strained with the Russian Orthodox Church in exile, which broke with the church in Russia over the latter's collaboration with the authorities after the Russian revolution. The church in exile is trying to set up parishes within Russia itself.

Moreover, battles between the Catholic and Orthodox church communities over the control of churches in western Ukraine have left relations there so bad that the Russian Patriarch refused an invitation to visit the Vatican earlier this year.

A growing onslaught of western protestant evangelical missions has also left many in the Russian Orthodox church increasingly defensive - an issue that many church leaders hope can be soothed by the Patriarch's visit to the UK.

Father Vladimir, surveying his packing cases, says: "We don't want to be turned into a political party or a nationalist church. We just want to serve people. . . The problem is though, that some of our congregation may not let us do that."

Moscow 'understanding' on Bonn demand for Honecker

THE GERMAN justice minister, Mr Klaus Kinkel, said yesterday that Soviet officials had shown understanding for Bonn's demand that former East German communist leader, Mr Erich Honecker, be returned to Germany to face a court, Reuter reports from Moscow.

But he said he had received no assurances from the Soviet Union's justice ministry that Mr Honecker, brought to Moscow by the Soviet military in March, would be sent back.

Mr Kinkel said at a news conference he had told Soviet officials that Honecker, facing charges of manslaughter over the shooting of would-be refugees at the Berlin Wall, would be assured fair treatment.

"I say this clearly. The Soviet Union brought Mr Honecker from Beelitz (a Soviet army camp in eastern Germany) to the Soviet Union in a cloak-and-dagger operation... This was not correct and the situation cannot remain thus," Kinkel said.

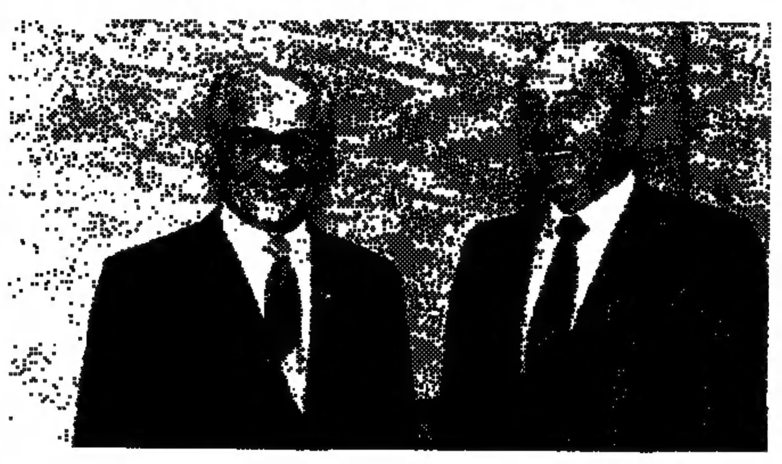
The Soviet military authorities informed Bonn of the plan to bring Mr Honecker, 79, to the Soviet Union only a couple of hours before the military aircraft left. German authorities were unable to prevent his removal, which Moscow said was essential to allow Mr Honecker medical treatment.

Mr Honecker, who played a major role in the building of the Berlin Wall in 1961 and led the East German state until his overthrow by a popular uprising in 1989, said in a recent television interview he would not return to Germany unless guaranteed immunity from prosecution.

Mr Kinkel said Mr Honecker's lengthy television appearance made it seem unlikely he could be spared prosecution for health reasons.

"My impression was that the position I presented found understanding among my Soviet colleagues. They made no definitive statement of position and I received no form of assent. I did, however, have the impression that an attempt was made to honour our position," he said.

■ An American firm said yesterday it had agreed with a Soviet company to try to sell or lease MiG-29 fighters to the Defence Department for use in training, Reuter reports from Washington. At the Pentagon, a spokesman said: "I believe this offer was not something that we followed up on, and I am not aware of any current plans to buy MiG-29s."



Happier days: Honecker with Gorbachev. Now the Soviet president is under pressure to return the former GDR leader

Bulgarian birth rate problem

A FALLING birth rate and growing emigration will make Bulgaria's population among the most aged in the world, according to a report from the National Institute of Statistics, Reuter reports from Sofia.

Officials said economic hardship in the former communist state had prompted many young people to leave the country. Those who stayed behind were discouraged from having children.

"As Bulgaria is depopulating, and with all the trends of declining birth rate and emigration, Bulgaria's population ranks amongst the oldest nations in the world," said Mr Sergei Tzvetarski from the National Statistics Institute.

Bulgaria ousted the communist regime of Todor Zhivkov in November 1989 and is struggling to switch to a market economy, revitalise its sluggish industries and cope with an $11bn foreign debt.

"As the economic crisis steps up, Bulgarians refuse to have children," Mr Boris Petrov, a social welfare official, said. The report showed Bulgaria's birth rate was 11.7 infants per 1,000 adults for the first nine months of 1991, more than 7,000 fewer babies than in the same period last year. The report said Bulgaria's work force was only 55.7 per cent of its 9m population.

Gorbachev appeals to Ukraine to remain inside union

By Leyla Boulton in Moscow and Chrystia Freeland in Kiev

PRESIDENT Mikhail Gorbachev and eight Soviet republics yesterday appealed to the Ukraine to remain in some kind of union.

In an appeal to the Ukrainian parliament, Mr Gorbachev and leaders from Russia, Kazakhstan, Belorussia, Uzbekistan, Azerbaijan, Kirghizia, Tajikistan and Turkmenia said they could not "imagine the union without the Ukraine".

It was not immediately clear, however, what sort of union they were referring to, especially since Azerbaijan itself joined the Ukraine in boycotting a treaty of economic union signed by eight republics last Friday.

There was no immediate reaction to the statement from the Ukraine, the second richest Soviet republic, which is taking steps to become independent before a referendum on the issue on December 1.

Today the parliament is expected to approve a law taking over Soviet armed forces stationed in the Ukraine.

President Gorbachev has warned he will take measures of a "constitutional character" if republics such as the Ukraine try to take over Soviet armed forces.

Yesterday, the Ukraine parliament approved the creation of a national guard, absorbing republic-based interior ministry troops.

● The world's seven leading industrial nations will send their deputy finance ministers on an aid mission to the Soviet Union from October 26 to 28, a Soviet presidential spokesman said yesterday.

G7 ministers agreed last week to a Soviet request to send representatives for further talks on planned free market reforms and foreign aid requirements.

EC insurance laws held up yet again

By David Buchan in Strasbourg

THE Socialist group in the European Parliament has again succeeded in holding up insurance legislation in protest at the failure of EC governments to pass labour welfare laws.

For the third time this autumn, the Parliament failed to act on draft legislation to create a single EC-wide licence for non-life insurance. At the urging of the Socialist group, the Parliament voted to send the legislation back to committee, for furthr discussion of the 53 proposed amendments.

Mr Jean-Pierre Cot,the Socialist leader, said his group saw no reason for "Merchants' Europe" to gallop ahead, while "Social Europe" marked time.

Socialist MEPs, form the largest bloc in Parliament.

Aids blood scandal threatens Paris

By William Dawkins in Paris

THREE senior French public health service doctors have been charged with supplying or failing to prevent the supply of infected blood, so exposing France's embattled government to further embarrassment.

One of them, Professor Jacques Roux, the former director general for health, yesterday accused three present or former government ministers of holding up documents giving clearance for wider use of blood tests and thus exposing haemophiliacs to the unnecessary risk of catching Aids.

This follows the publication of confidential government documents in Le Monde newspaper showing that in a related scandal, more than 400,000 people have been infected with various kinds of hepatitis because of inadequate testing of blood donors. Within this total, there were haemophiliacs who became infected with Aids, although the number is not know.

The most serious charges are against Dr Michel Garretta, who resigned in June as director general of the CNTS national blood transfusion centre, in the wake of a series of complaints from the French association of haemophiliacs.

An examining judge, Mrs Sabine Foulon, was asked to mount an inquiry after Dr Garretta's resignation, and has now charged him with failing to withdraw infected blood from the market in 1984 and 1985.

She has also separately charged Dr Roux and Dr Robert Netter, a former director of the national health laboratory, with failing to stop infected blood from being distributed.

The controversy partly hinges on the gap between isolation of the Aids virus by Diagnostics Pasteur, a subsidiary of the Sanofi pharmaceuticals company, in May 1983, to the moment in August 1985 when Aids testing was made obligatory for donated blood in France.

On top of this, documents obtained by Le Monde suggest that the Government set tough bureaucratic restrictions on some hospitals' freedom to claim state reimbursements for tests available from Abbott Laboratories, the US pharmaceuticals group, so as to protect Diagnostics Pasteur's market share. The Government contests this analysis.

Contracts signed for Danish bridge project

By Hilary Barnes in Halsskov, Sjaelland, Denmark

CONTRACTS worth DKr5.4bn (£480m) for construction of the world's longest suspension bridge were signed in Denmark yesterday.

The motorway bridge, known as the Great Belt East Bridge, will have a suspended section of 1,624 metres. The bridge is part of a DKr19bn project for road and rail bridge and tunnel links across the Great Belt, main shipping lane between the Baltic and the Kattegat and the North Sea.

Winners of the East Bridge contract were a German consortium which will build the concrete substructure, and an Italian-American consortium, which will build the steel superstructure.

The German-Dutch consortium, with a contract worth DKr2.5bn, includes Hochtief, Wayss & Freytag and Dillinger Stahlbau of Germany, and HBW Hollandsche Beton en-Waterbouw of the Netherlands.

The superstructure will be built by CMF Sud of Italy and Steinman of the US, under a contract worth DKr2.9bn.

Meanwhile, divers were preparing to enter the western end of the rail tunnel being constructed under the Belt to inspect damage caused when the tunnel was flooded in an accident last week. Two tunnel-boring machines, which had reached 300m under the seabed, were submerged in the accident.

Greek state cement maker privatised

By Kerin Hope in Athens

GREECE'S Industrial Reconstruction Organisation yesterday launched the privatisation of Heracles General Cement, one of Europe's biggest cement producers and exporters.

The IRO, the state umbrella for over 40 nationalised companies, is offering its entire 69.8 per cent stake in Heracles for sale. Potential bidders are invited to submit expressions of interest by month-end.

The remaining shares are owned by private investors, National Bank, Greece's biggest bank, and Heracles' former managers, who are fighting a legal battle over the way the company was nationalised in 1983. The nationalisation, involving capitalisation of Dr27bn in debt and consequent dilution of the existing shareholders' stakes, was allegedly carried out in violation of EC law.

The dispute is considered the main obstacle to a swift sale.

Heracles, listed on the Athens Stock Exchange, reported profits of Dr4.79bn on turnover of Dr47.4bn in 1990. Exports accounted for almost half last year's cement production of 5.9m tonnes.

The Greek government is believed to favour selling the IRO holding to a single bidder rather than offering shares to private investors on the Athens bourse.

NEWS IN BRIEF

General strike halts Italy's public services

ITALIAN public services and much of industry were brought to a halt yesterday by a four-hour general strike, the fifth in 11 years, writes Robert Graham in Rome.

The strike was called by the country's three main trade union federations, the CGIL, the largest federation controlled by former communists, the Christian Democrat-run CISL, and the Socialist UIL, in protest at public spending cuts in the 1992 budget.

However, the protest was used as much as anything to demonstrate the strength of the trade union movement at a time when negotiations are in progress with the employers and the government to reduce labour costs and end wage indexation.

The unions have already managed to persuade the government to soften one of the most unpopular measures introduced in the 1992 budget presented on September 30 – an increase in national health prescription charges.

Yesterday, all public services were halted at the beginning of each new shift for four hours. All schools were closed and no civil servants turned up to work, the government conceding it was unrealistic to report for work for only four hours.

US asbestos ban rebuffed

A federal appeals court in New Orleans has rebuffed a wide-ranging ban by the US Environmental Protection Agency on the use of asbestos in the US, stating that the agency needs to provide more support for its ruling, reports Nikki Tait from New Orleans.

The EPA ban was initiated in 1989, and was due to take full effect in 1996. The agency's lawyers had claimed that the long-range health benefits would be considerable; asbestos is a suspected carcinogen, and has been blamed for various lung problems, especially in workers exposed to the material.

The ban was being challenged by various business interests involved in the asbestos industry. In its ruling, the three-judge panel of the 5th US Circuit Court of Appeals said that the EPA failed to offer opponents of the ban sufficient opportunity to cross-examine witnesses regarding disputed facts, when hearings on the proposal were underway.

Prague moves on privatisation

The Czechoslovak government will prevent communist managers from blocking the privatisation of state-owned enterprises through significant changes in legislation, according to Mr Tomas Jezek, the privatisation minister, writes Ariane Genillard in Prague.

The two amendments, which will be presented to the federal parliament, stipulate that managers must present to the government the proposals for privatisation, even if they try to declare their enterprises bankrupt. Furthermore, leasing of enterprises will not be used as an alternative to privatisation.

Mr Jezek said that communist managers were often entering bankruptcy proceedings in order to sell the enterprises' assets and pocket the proceeds.

INTERNATIONAL NEWS

VW strategy to double sales in Japan by 1995

By Kevin Done, Motor Industry Correspondent, in Tokyo

VOLKSWAGEN, the leading European car maker, aims to double its sales of VW and Audi cars in Japan to around 100,000 by 1995.

Mr Carl Hahn, VW management board chairman, said yesterday that the group would have a network of nearly 300 sales outlets operating in Japan by 1992. It was studying the possible launch of its Spanish SEAT marque in Japan later in the 1990s.

VW is investing in its Japanese sales and marketing operations, including Y27bn (£121m) to set up a central parts warehouse and vehicle import centre at Toyohashi, south of Nagoya, scheduled to begin operations in the autumn 1992.

As another step in its Asian strategy, VW is also setting up a joint venture in Taiwan to assemble up to 30,000 vans a year. It is already developing two car factories, along with engine and transmission plants in China, and has recently opened its VW Asia Pacific regional office in Singapore.

VW has created a wholly-owned import subsidiary in Japan, Volkswagen Audi Nippon, and will have three sales channels: a dealer network of Yanase, its original local importer; a 45-strong Volkswagen Audi Nippon network; and 50 sales outlets to be set up by Toyota, Japan's leading car maker.

The co-operation deal with Toyota, the first time Toyota dealers will handle imported cars, is aimed at selling 7,000 units next year, and this is planned to increase to 30,000 a year through 100 sales outlets by 1996.

VW has created a service training centre in Yokohama, is offering financing and leasing services, and has set up a group liaison office in Tokyo. Last year, it sold 53,647 VW and Audi cars in Japan and, as the leading importer, accounted for one-quarter of all imported car sales.

The Taiwan joint venture, to be known as Ching Chung Motor, will start producing VW T4 Transporter vans at the end of 1993.

VW is taking a 40 per cent stake in the venture with the rest held by Taiwan's Ching Fong Investment.

In China, it is establishing a production capacity for 300,000 cars a year by 1996 at two plants in Changchun and Shanghai.

Victims of the Cambodian civil war begging in the north-western town of Sisophon. The Cambodian peace agreement being signed in Paris today by 19 governments will formally put an end to nearly 13 years of bloody civil war and pave the way for the largest peace-keeping administration ever undertaken by the United Nations, writes Ian Davidson in Paris. Linchpin of the peace pact has been the formation of a Supreme National Council, on which all the four main rival factions are represented. A UN transitional authority will have the unprecedented responsibility for administering Cambodia until elections are held early in 1993.

China to allow share purchases by foreigners

By Angus Foster in Hong Kong

CHINA is preparing to allow foreigners to buy shares in a state-owned company for the first time since the Communists came to power in 1949. The opening share issue could get under way before the end of this year.

The Shanghai stock exchange, officially re-opened last December, is ready to approve the listing of $35m-$70m special foreign "B" shares in Shanghai Vacuum Electron Device, a TV tube maker. Approval had been held up pending clearance in Peking, where the authorities remain cautious about experiments with capital markets.

The new issue will be underwritten by the securities subsidiary of a state-owned bank and several foreign banks.

The move could speed plans by Shenzhen, China's other official stock market, to issue shares for foreigners.

Shanghai Vacuum is the biggest quoted company on the Shanghai exchange, where nine stocks are listed, with up to 80 per cent turnover from bond trading. The company is seen as well managed and entrepreneurial, but investors in Hong Kong remain cautious about developments in China.

Delhi reform faces test by Coca-Cola

By David Housego in New Delhi

INDIA'S still lukewarm conversion to western capitalism faces its sternest test yet, with the announcement yesterday that Coca-Cola is seeking to re-enter the Indian market.

The US soft drinks maker quit India in 1977 rather than accept the then government's demand to cut its equity in its operations to 40 per cent. Its first attempt to return was rejected by Mr V.P. Singh's government over a year ago.

Under proposals put forward to Mr P.V. Narasimha Rao's Congress administration yesterday, Coca-Cola will hold only a minority stake in a joint venture to be set up by Mr Rajan Pillai, the British-based Indian industrialist, and Britannia Industries, the Indian food processing group of which he is chairman.

It is the first time Coca-Cola has agreed to a minority stake in a venture making soft drink concentrates.

Mr Pillai, who has already held informal talks with ministers and officials, said he was "confident" of the proposal being approved. The return to India of IBM, which recently said it was establishing a joint venture with the Tata industrial group, and Coca-Cola, would send a "big signal" to business worldwide, he said.

The Coca-Cola facility is being linked to a big export project. Mr Pillai says he is ready to shift a substantial part of his snack-food processing business from Singapore to India. The Britannia group processes cashew nuts and a variety of snacks. It needs to relocate its manufacture because of high costs in Singapore.

Under the proposal, a new company, Britco, will invest $20m (£11.6m) in setting up a soft drinks and food processing facility in the western state of Maharashtra.

Coca-Cola will hold 26 per cent of the equity, and Mr Pillai and Britannia Industries 64 per cent. The remaining 10 per cent will be held by a government agency. Britco says exports will amount to Rs10bn (£225m) over 10 years. Exports will initially account for 70 per cent of sales, declining to 60 per cent in later years.

Although ministers and senior civil servants seem favourably disposed to the project, an outcry is likely from the left and the Indian soft drinks industry.

Tokyo lifts Pretoria sanctions

By Emiko Terazono in Tokyo and Patti Waldmeir in Johannesburg

THE Japanese government has lifted economic sanctions against South Africa, including bans on the import of gold coins and steel, direct investment and loans. Air links will also be resumed.

Mr Misoji Sakamoto, the chief cabinet secretary, said Japan welcomed South Africa's establishment of a non-racial democracy, and regarded the reform process as "irreversible".

Mr Sakamoto said the government was considering inviting South Africa's President F.W. de Klerk to Japan in the near future.

Sanctions on new direct investment and loans to South Africa were implemented in 1969, followed by additional sanctions on gold coin, steel and iron imports in the 1980s.

Tokyo also advised companies to exercise "self-restraint" in trade with South Africa after Japan faced mounting international criticism when trade with South Africa surged to $4.1bn in 1987. Two-way trade totalled $3.32bn in 1990.

Japanese companies have been moving to reinforce relationships with South Africa ahead of the government's move.

The lifting of sanctions is likely to have little immediate impact on trade between the two countries, or on investment, according to South African business and trade organisations. Given the depressed level of economic growth in both countries - the South African economy has shown no growth for over two years - trade is unlikely to rise significantly.

Prior to sanctions, Japan was South Africa's largest trading partner. Last year, Japan had fallen to fourth place, behind Germany, the UK and the US.

Japanese direct investment in South Africa is also likely to be limited. Businessmen said political instability in South Africa, coupled with worries over the economic policies of a future black government, were likely to limit investment from Japan.

Mozambique rebel pledge on repair of power lines

WORK on rehabilitating the power line between the Cahora Bassa hydro-electric scheme in Mozambique and South Africa could start next year, after pledges from Renamo, the Mozambique rebel movement, to stop sabotaging the line, Philip Gawith reports from Johannesburg.

Dr Ian McRae, chief executive of Escom, the South African power utility, said yesterday that the Permanent Joint Committee on the scheme had held talks with Mr Afonso Dhlakama, Renamo president, who promised Renamo would help where possible with rehabilitation. About $100m (£58m) work needs to be done, with finance almost in place. So far, South Africa and Italy have offered loan facilities of $20m and $40m respectively, although the details of government guarantees for these loans have still to be resolved.

The World Bank has said it will make up the difference, but is anxious that the project should get as much alternative finance as possible. If all goes according to plan, the rehabilitation work will be complete in about three years time.

South Africa has agreed to sell 500MW of its allocation to Zimbabwe until 2003. This is because South Africa has excess generating capacity until then.

Indonesia says forest fires under control

MR Emil Salim, Indonesia's environment minister, said yesterday that five days of rain had extinguished most of the forest fires burning above ground in the Kalimantan region, but that some were still burning in the coal deposits below, writes Clare Bolderson in Jakarta.

There have been hundreds of fires in Kalimantan, on the island of Borneo, and in Sumatra since early August. They have cast a thick smoke haze over much of Indonesia, Malaysia, Singapore and southern Thailand, disrupting shipping and causing the cancellation of numerous flights. Several western countries have recently sent experts and equipment to help fight the fires.

Pakistan to complete privatisation of banks

PAKISTAN is planning to privatise its three remaining public sector banks and two government-owned development finance institutions, it said yesterday, Farhan Bokhari reports from Islamabad.

Newspaper advertisements from the government's privatisation commission invited offers by November 30, to buy shares in the banks and institutions.

The banks offered for sale are Habib and United, the two biggest public sector banks, and National Bank of Pakistan. The finance institutions are the Industrial Development Bank of Pakistan and National Development Finance Corporation.

Their sale would successfully complete privatisation of Pakistan's five public sector banks, four of which were taken under state control in the early 1970s.

Habib bank has a total of 1,904 branches and a staff of more than 27,000.

Since the privatisation programme began early this year, two banks have been sold. They are the Muslim Commercial Bank and Allied Bank.

The move was seen by some businessmen as a way to step up the pace of the country's privatisation programme.

This week, the government plans to sell 24 public sector factories to investors selected from a tender which closed last week.

However, it is becoming increasingly clear that an earlier target of selling 115 factories by the end of this year is not likely to be achieved.

UK NEWS

Export decline raises fears over rate of recovery

By Peter Marsh and Haig Simonian

A SHARP fall in UK exports last month, shown up in government figures published yesterday, have raised more questions about the likely rate of recovery from the recession.

According to the Central Statistical Office (CSO), the value of exports last month dropped by 4.5 per cent on a seasonally adjusted basis, compared with August.

A 5 per cent month-on-month fall in imports underlined the subdued state of UK demand, caused by the economic decline of the past 18 months.

The economic slowdown in Germany and other European Community nations appears to have been the main factor behind the export drop, which has dented hopes that strong growth by UK exporters is likely to be the main element behind the expected recovery.

Excluding oil and high-price, erratic items such as ships, the underlying level of exports was flat in the third quarter of 1991, compared with the second quarter.

The statistics follow several other pieces of economic data in recent weeks, which have produced conflicting signals about the likely rate of an upturn. Mr Peter Spencer, an economist at Lehman Brothers, the City investment house, said: "The indicators have been pointing to three possible speeds: slow, dead slow and stop. These latest figures are pointing to stop. The UK economy is dead in the water."

Speaking in Milan, Mr Robin Leigh-Pemberton, the governor of the Bank of England, said the economy was on its way out of the recession.

Mr Leigh-Pemberton, who was in Milan to deliver a lecture on Economic and Monetary Union (Emu) at Bocconi University, stressed it would be better for the recovery to be slow and sustained, rather than a brief, and possibly short-lived spurt. "The most important thing is that it should be durable," he said.

With the large declines in the value of both exports and imports last month, to £8.6bn and £9.4bn respectively, the visible trade deficit in September was £729m, little changed from the revised £796m in August.

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Report finds lack of factory supervisors

THE COMPETITIVENESS of UK manufacturing suffers badly from the lack of well – trained supervisors, according to a report published yesterday by the National Economic Development Office (Nedo), writes Lisa Wood.

The report echoes the concern expressed by a number of organisations about British supervisory skills compared, in particular, with those in Germany.

The report marks the start of a campaign by Nedo to convince the engineering industry that the issue of supervisors needs to be resolved quickly if Britain is to have any chance of "maintaining and improving its competitive position worldwide."

Mr Ian Gibson, chairman of Nedo's engineering skills working party and managing director of Nissan Motor manufacturing UK said: "The competitiveness of UK engineering suffers greatly from the lack of supervisory arrangements for developing and using supervisors properly.

"A vicious circle prevents the improvement of the standard of supervisory management, with many employers unconvinced of wholesale change and many talented people not attracted into jobs which at present lack status, responsibility, authority and adequate reward."

BRITAIN IN BRIEF

British Coal 'may cut' 35,000 jobs

British Coal, the state-owned mining corporation, could be forced to make 35,000 job cuts and close all but 14 of its mines by 1995, according to a report released by Mr Frank Dobson, Labour's energy spokesman.

Mr Dobson claimed the "devastating" 26-page document is a report prepared for the government by N.M. Rothschild on options for privatising British Coal.

The Department of Energy would neither confirm nor deny that the report released by Mr Dobson had been prepared by Rothschild, its merchant bank advisers.

Power union may rejoin TUC

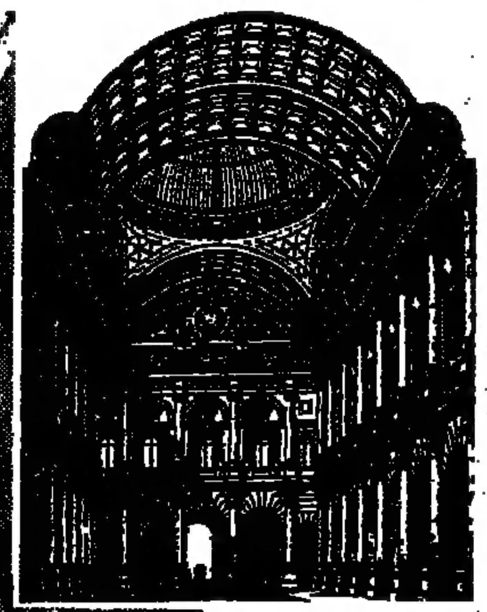
The EETPU electricians' union could re-affiliate to the Trade Union Congress (TUC) within 15 months following unexpectedly rapid progress in its merger talks with the AEU engineering union.

The leaderships of the two unions have published proposals on principles for amalgamation and said they hoped to ballot members on a merger early in the New Year.

A ballot of the combined membership on affiliation to the TUC – the umbrella organisation for most UK unions – would take place within the following year.

Acas considers opera dispute

Royal Opera House managers and Musicians' Union leaders have attended "exploratory talks" at Acas, the conciliation service, in an effort to settle a pay dispute which has led to the closure of the theatre.



Today the Queen will open the refurbished Royal Exchange in the heart of the City of London. The International Futures Exchange in London operates below the floor. The original structure was designed by Sir William Tite (inset). Work for Guardian Royal Exchange has been going on since 1989 at a cost of more than £30m. Picture, Ashley Ashwood

Union fights discrimination

The union representing Britain's top government officials stepped up its campaign against alleged sex discrimination in the top grades of the service with figures showing that only 7 per cent of the 688 posts at the three most senior levels are occupied by women.

The union, the Association of First Division Civil Servants (FDA), also revealed that despite a Civil Service equal opportunity programme launched eight years ago, the position was proportionately even worse among the under 45s.

The FDA also claimed to have discovered clear proof of discrimination in performance related pay, introduced for senior civil servants in 1987, which the government wants to extend throughout the public sector.

Ms Liz Symons, FDA general secretary, said the alleged discrimination was "contrary to British and European law".

Liverpool site for rail hub

The eighth of the nine main Channel Tunnel freight terminals will be at Royal Seaforth in the Port of Liverpool.

Work at Seaforth – north west England – where £1.5m is to be spent, would start next month and finish by May 1993, a month before the Channel Tunnel opens.

An announcement on the site of the remaining major Channel Tunnel freight terminal, which will be in Scotland, is expected shortly.

Laws urged for consumers

Rogue traders who mislead and exploit consumers should be subject to a tough package of consumer protection laws, according to Sir Gordon Borrie, director general of fair trading.

Sir Gordon told a London conference on trading malpractices that his proposals to curb unfair practices by companies, first outlined last year, had attracted widespread support. It is unlikely that extending the scope of the 1973 Fair Trading Act, as suggested by Sir Gordon, will be undertaken in the present Parliament.

He said new laws are needed because "all too often, unscrupulous traders remain free to engage in trading practices which are indefensible."

Action urged on work safety

Three interest groups involved with safety at work have called for a special police unit to look into workplace deaths and for a change in policy by the Health and Safety Executive (HSE), which enforces health and safety law.

More than 600 people, many of them in the construction industry, were killed at work last year.

A report by the interest groups claims that 70 per cent of deaths at work were caused by management failure but only 30 per cent ended with prosecutions and fewer than one per cent involved individual managers.

The report says the HSE, which investigates deaths and refers suitable cases to the Crown Prosecution Service, allowed over 60 per cent of prosecution against companies to take place in the magistrates' courts where the maximum fine was currently £2,000.

Prison dispute at an end

A Seven-month work to rule by prison officers at Wakefield Prison in northern England has ended.

The Prison Officers Association said it did not want to give the government an excuse to "smash the union".

Officers had been working to rule since last April over staff numbers. They called off the action after an ultimatum from Mr John Bowles, the deputy-governor, which was backed by the Home Office.

Teachers want 15% pay rise

Teachers represented by the Assistant Masters and Mistresses Association submitted a claim for 15 per cent salary increase to the teachers' pay review body.

It is the fourth teaching union to seek a rise well above the rate of inflation. The National Union of Teachers has asked for a 19.5 per cent increase.

Landscape year

The National Trust, the UK's largest conservation organisation, is designating 1992 as its Landscape Year.

British Gas is donating £500,000 spread over five years, its largest ever sponsorship, to help finance ten projects associated with the year, ranging from work to restore grazing marshes at Blakeney in Norfolk, East Anglia, to moorland regeneration at Kimber in the Lake District.

UK NEWS

Japanese storm leaves London insurers with damage claims of over Y373bn

Insurance market faces heavy loss over typhoon

By Richard Lapper

THE London insurance market faces its heaviest loss this year as a result of damage caused by one of Japan's most powerful typhoons last month.

Typhoon 19 which hit northern and southern Japan at the end of September has caused losses of over Y373bn (£1.65bn).

"It is the worst insured loss they have ever sustained and the biggest loss that Japan has ever produced for the worldwide insurance market," said one London reinsurance broker.

He said the loss was roughly equivalent to the devastating European storms of October 1987 and January 1990.

"It is six to eight times worse than anything the Japanese market has ever seen before," another London broker added.

Reinsurers could be asked to pay as much as £500m of the total loss, with Lloyd's and the London market companies picking up as much as half the tab. European reinsurers are also thought to be heavily exposed.

So far 1991 has been relatively free of very heavy weather catastrophes in sharp contrast to 1989 and 1990 when London insurers were hit by a string of multi-billion dollar weather catastrophes.

Typhoon 19 hit the southern island of Kyushu before turning back across the Sea of Japan to the northern islands of Honshu and Hokkaido.

The typhoon is said to have been the third strongest wind ever to have hit Japan and was unusual in being accompanied by intense rainfall.

Nagasaki, the home of Mitsubishi industries, sustained some of the heaviest damage. A claim lodged by Mitsubishi with its insurers, Tokyo Marine & Fire, the country's largest insurer, alone amounts to about £45m.

According to figures produced last week by the Japanese Non-Life Insurance Association insured losses to domestic and small commercial property amounted to Y240bn; to motor vehicle - Y30bn; to marine hull and cargo losses Y15bn; and to inland marine Y5bn.

The mutually-owned agricultural insurer, Zenkyoren, has reported its losses from crop damage at Y83bn.

When the scale of the physical damage caused by the typhoon became known, it was feared that the impact on foreign reinsurers might be greater but Japan's domestic insurers appear to have been taken by surprise by the size of the loss and had bought inadequate reinsurance protection.

The Japanese market only began to insure against wind damage in 1984.

UK broker to launch world's first forward market in power

By Juliet Sychrava

A BRITISH brokerage house is to launch the world's first forward market in electricity next week in a move which will allow power companies to protect themselves from wholesale price fluctuations.

The new over-the-counter market operated by GNI, the *derivatives broker subsidiary* of Gerrard & National, the London-based discount house, will open at a time when many electricity companies are criticising the operation of the wholesale market - the so-called pool.

Prices in the electricity pool, where regional electricity companies buy their power, have risen by 20 per cent in the past year. But the new market will enable producers and consumers to hedge against these changes through new Electricity Forward Agreements (Efas).

The regional electricity companies already agree contracts with the generators, which protect both parties from spot market volatility. In most of these contracts, the two parties agree to pay each other the difference between the future pool price and an agreed strike price.

The EFAs will be simply the traded version of these contracts. The strike price will be the market price of the contracts, which will, however, be priced in weekly rather than half-hourly blocks, as in the pool.

Electricity companies wishing to buy or sell cover for a particular week up to 18 months ahead can call GNI traders between 10-12 am and 2-4pm daily. Their bid or offer price will be registered, and the best prices will be shown on screen. GNI will then attempt to match buyers and sellers.

Critics believe a possible problem with the market is that there are only two substantial sellers, the two large electricity generators, National Power and PowerGen.

Mr Adrian Musto, electricity purchasing manager at East *Midlands Electricity*, believes the market will be liquid enough to support at least one broker. "We don't see the new market as a replacement for existing contracts," he said. "It is better to see it as a fringe market, which will only need a couple of per cent of the total volume in contracts traded in the industry. In that context, National Power and PowerGen will not be dominant."

The market's twenty founder members, which include the regional electricity companies, the electricity generators, the two Scottish electricity companies, the National Grid Company, and Electricité de France, are already testing the market in dummy trading through GNI. "The mainstream participants will be from the wholesale electricity industry," says Mr Anthony Norton, a director of GNI.

Opposition pledge on financing for trains

By Richard Tomkins, Transport Correspondent

MR JOHN Prescott, Labour's transport spokesman, yesterday committed a Labour government to using private sector finance to buy £150m worth of trains for north Kent commuter services.

He invited international financial institutions to come up with proposals for a leasing deal which would enable a Labour government to authorise the purchase of the trains on the day it took office.

The 188 Networker units would be put into service on Network SouthEast commuter services on the Dartford and Orpington lines out of London's Charing Cross and Cannon Street stations.

British Rail (BR) has already won government approval to order the trains. However, it has been unable to do so because it has run out of money and the government will not let it have any more.

Mr Prescott told a Euromoney conference on railway finance in London that Labour would allow BR to lease the rolling stock from a financial institution over a period of 15 to 20 years.

Only the annual payment would have to met by BR, so it would not have to meet the full cost of the rolling stock up front and Treasury borrowing limits would not be breached.

"This will be a pilot project in line with Labour's previous statements on exploring imaginative ways of using private finance to invest in railways, which are common in Europe and the US," Mr Prescott said.

● The government's attempts to negotiate a lengthy transition period before duty-free shopping is abolished within the European Community is coming under fire from the pro-European wing of the Tory party.

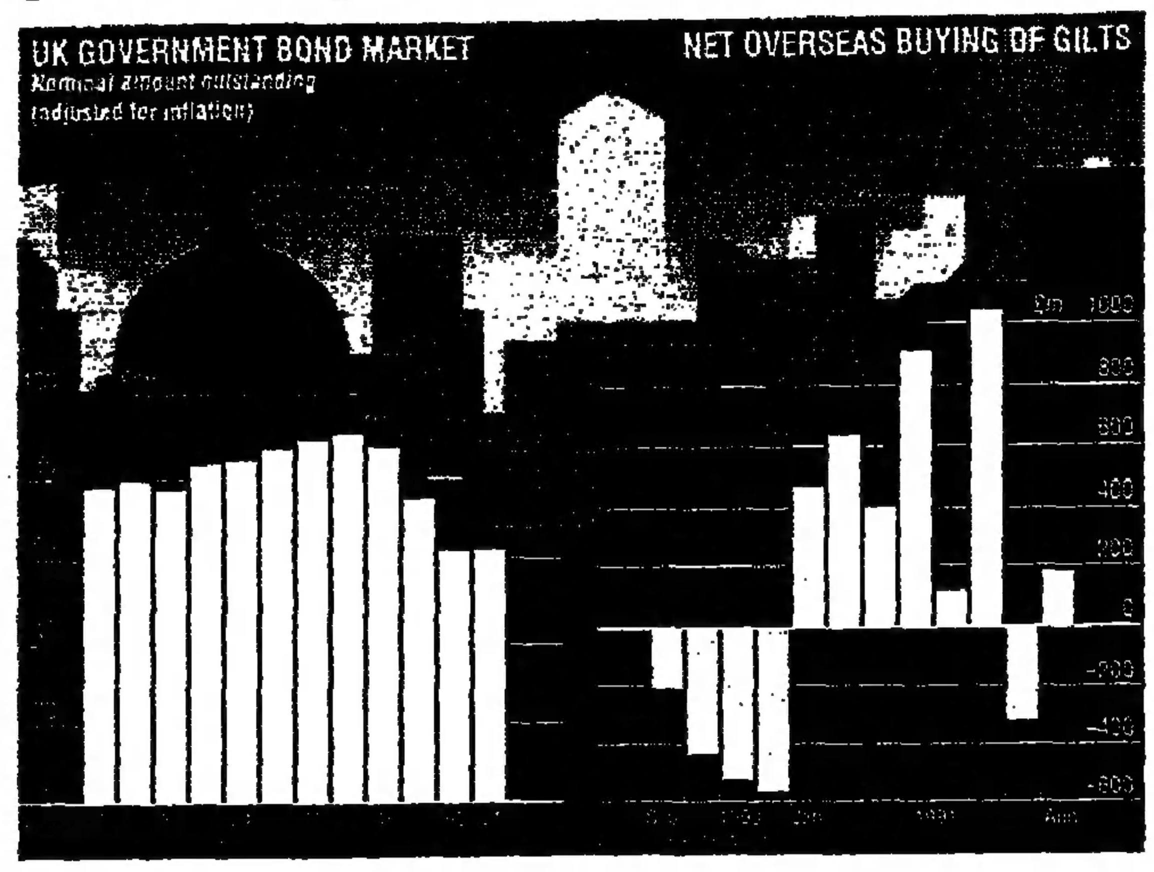
Mr Hugh Dykes, one of the most prominent Tory MPs has called for closer European integration. Mr Dykes, the chairman of the all-party European movement, adds that duty-free shops represent an "artificial rip-off for customers at ports and airports", concealing the inefficiencies of the traders.

Overseas queue forms to join gilts

Simon London, reports on UK government bonds since Big Bang

BIG BANG *The first five years*

THE post-Big Bang era has been a torrid time for participants in the UK government bond market, as years of net debt repayment by the Treasury drained liquidity from the market.



The amount of UK government securities outstanding fell from a peak of £141bn in 1988 to £112bn in January of this year. Adjusted for inflation, the fall is even sharper.

The number of institutions making a market in gilts fell from 27 in 1986 to 18 this year. The amount of capital committed to the market fell from £600m to £400m over the same period. Of the remaining market-makers perhaps half maintained trading activity, the rest entered a state of near-hibernation.

However, the years in the wilderness appear to be over. Government borrowing from the capital markets is set to run at around £1bn per month this year according to Treasury estimates, more according to City economists.

Fresh government bond issuance is essential for market turnover and long-term profitability. The market-makers made a combined profit of £40m last year, the first since before Big Bang. The return on capital employed may be modest, but it is a great improvement on combined trading *losses of £200m between Big* Bang and the end of 1989.

In addition, overseas institutions are *forming an orderly* queue to join the market. At its head is Deutsche Bank, Germany's largest institution and one of the world's four triple-A rated commercial banks.

Other institutions believed to be considering joining the ranks of gilt-edged market-makers include Nikko and Yamaichi Securities of Japan, and Morgan Stanley of the US.

While improved liquidity could help restore the market-makers to profit, increased overseas buying of gilts is the pot-of-gold at the end of the ERM rainbow.

Deutsche cited sterling's entry to the European exchange rate mechanism (ERM) as the spur to its entry to the market. It has a large European client base of institutional and retail investors and hopes to be the conduit for a flow of UK government bonds into continental Europe.

Market participants hope that the ERM will lead to a reduction in inflation, making sterling bonds a far more attractive investment than in the past for both UK fund managers and overseas investors.

The run-down of UK institutional investment in bonds was *dramatic during the 1980s*. In 1978, UK pension funds invested 29 per cent of their *portfolios in fixed interest* stocks, compared with 4 per cent in 1990. This run-down of bond market holdings is ascribed to the shrinkage of the gilts market and scepticism that inflation had been eliminated.

So far there is little evidence that UK investors focus on equities rather than bonds has been changed by sterling's entry to the ERM. However, bond market analysts argue that expectations of lower long-term inflation should tempt institutional funds back into gilts. Market participants also hope that the ERM will reduce the foreign exchange risk for overseas buyers of sterling bonds. In the past, sterling's high volatility against other currencies and periodic devaluations have made sterling bonds a risky investment.

Sterling's membership of the ERM in a "broad" band, allowing a 6 per cent movement against the D-mark around a central rate of DM2.95, has *already attracted overseas buyers.*

Government figures show that overseas investors have been consistent buyers of gilts this year, other than a bout of profit taking in July, adding £3.5bn to holdings up to the end of August.

In the last quarter of 1990, before sterling's membership of the ERM in the current band had achieved credibility, overseas investors were net sellers of UK government bonds to the tune of £1.5bn.

If the government is prepared to move to a 2¼ per cent "narrow band" within the ERM, overseas buying of gilts could take another leap forward. In addition to providing further protection against short-term foreign exchange movements, the move would demonstrate that the government is serious about maintaining the DM2.95 central rate in the longer term.

A further question is whether established UK companies will have the balance sheet capacity to defend their back yard market against increased overseas competition.

The main market-makers *will not discuss their market* share, but it is generally accepted by market participants that the biggest four players - Warburg Securities, UBS Phillips & Drew, Midland *Montagu and Barclay's de* Zoete Wedd - account for at least 50 per cent of trading volume.

At present this dominance looks secure. The overseas opposition is playing cautiously. Deutsche Bank envisages committing £10m capital to the market in the initial stages, placing it firmly among the second division players.

Nomura and Daiwa, which joined the gilts market in 1986, have also taken a fairly cautious approach. Nomura's capital commitment, at around £20m, also places it in the bigger second tier market-makers.

But for the smaller companies an overseas challenge could be more *serious. Profit*ability has been restored to the market as a whole, but only just. Their optimism is tempered by the recognition that, despite the shake-out of the past five years, competition remains intense - and will get more so.

MANAGEMENT

A boost for the poor relations

Diane Summers reports on Opportunity 2000, a UK initiative aimed at increasing women's contribution to business

For the first time in Britain, 50 organisations – including blue-chip names such as J Sainsbury, ICI, British Airways and American Express, will next week publicly pledge to improve the position of their female workforces during the remainder of this century.

The occasion will be surrounded by full prime-ministerial razzamatazz. John Major, who will launch the project on Monday, is expected to use the occasion to raise substantially the government's profile on sex equality issues.

The project – under the title Opportunity 2000 – is not, however, the brain-child of the government or Equal Opportunities Commission. It is the result of 18-months' work chiefly by private sector companies involved in Business in the Community (BITC), the voluntary organisation for business initiatives. Liz Bargh, the campaign's director, describes Opportunity 2000 as "absolutely rooted in business needs and business-driven".

The 50 companies which have so far joined the campaign will pool ideas on good practice and share research and consultancy on equal opportunities for women. Most important, they have already developed – with help from BITC – goals and practical action plans for the employment and promotion of women within their organisations.

The initiative is timely. A succession of studies and reports over the past two years have highlighted the slow progress of women in the

workforce and fuelled debate. The latest of these studies, published by the EOC last month, provides a grim snapshot of the current position of women employees.

Britain has one of the highest female participation rates of any workforce in the European Community; 43 per cent of the workforce is female and the proportion is steadily rising. But at the same time, the gap between male and female earnings is wider than in other EC countries. The EOC's report also highlighted the fact that women still hold only 1-2 per cent of senior posts.

Joanna Foster, who chairs the EOC, sums up the position: "The challenge is not about the quantity of women in the British labour force, it is about the quality of work they are asked to do. Women continue to get less and lower level training, less pay and fewer senior jobs than men."

Opportunity 2000 is not, however, primarily about social justice but is based on the premise that British business is not taking full advantage of the economic potential of women in the workforce.

Business arguments revolve principally around issues of maximising resources, reducing labour turnover, attracting the best talent and being in a position to meet customers' needs.

J Sainsbury, one of the 13 private sector companies involved in BITC's initial task force to develop and launch the initiative, has used the reduction of wastage as a strong internal argument for pursuing equal opportunities goals. Two-thirds of Sainsbury's 95,000 UK employees are female; the company wants to see investment in women's training and development maximised.

John Adshead, Sainsbury's group personnel director, argues that over the next decade the key factor that will give some organisations a competitive advantage will be their ability fully to use all their employees.

Demographic changes are currently masked by the recession but the underlying trends are still there, says Adshead. Companies will find themselves competing for a diminishing number of young recruits; those which are able to attract and retain female employees will have the advantage.

British Airways, another lead player in Opportunity 2000, uses some of the same arguments to support its case. Added to that, airlines have found that equal opportunities programmes have slotted in well with wider culture change programmes focused around quality and customer service of the kind also undertaken, for example, by BT and BP.

Overall, one of the strongest messages that will come out of the Opportunity 2000 campaign is that equal opportunities initiatives have often been treated as poor relations compared with other major cultural change programmes.

A comparative study of the two types of programme carried out for the project under the direction of Valerie Hammond, head of Ashridge Management Research Group, examines over 100 organisations in the UK and elsewhere in Europe, as well as in North America and Australia.

The research identifies four key processes to achieve change within organisations:

● First, the demonstration of commitment to change needs to come from the top. In cultural change programmes, the starting point is often the vision of the chief executive or senior management team and the process springs from pressing business needs.

By contrast, equal opportunities initiatives are often led by comparatively junior figures and may be introduced because of legal requirements or to solve a temporary problem, such as skills shortage.

● Second, steps have to be taken to overcome the organisation's status quo, and to address fears and concerns of the workforce. Cultural change programmes usually begin with a radical plan of action, implemented across the whole organisation, with clear rewards for achievement of desired behaviour and penalties for not conforming.

The experience of many working on equal opportunities programmes is that efforts tend to be selective and adopted half-heartedly, with few goals and little accountability.

Lady Elspeth Howe (left) chairman, and Liz Bargh, director: Opportunity 2000 rooted in business needs and business-driven

● Third, even if a programme of change is led from the top, it needs to be communicated effectively throughout the organisation and externally so that all employees feel part of the policy and responsible for its eventual success.

Cultural change programmes often have a high public relations profile, the study notes, and are given punchy titles, for example, British Airways' "Putting People First". Equal opportunities programmes, as the poor relation, are often communicated in a legalistic and bureaucratic way and are rarely given a clear image.

● Finally, there is the question of paying for it all. Cultural change programmes represent a major company investment, with staff, time and money allocated on a long-term basis. Because of its importance, the programme will be protected from wider budget cuts.

Equal opportunities budgets, on the other hand, are often the first to be cut, programmes are low budget and the commitment is often unspecified or short-term.

Measuring success in achieving equal opportunities is a controversial area, fraught with what are seen in Britain – though not, for example in the US or even in Northern Ireland – as the dangers of quotas and positive discrimination.

Most organisations, particularly in the private sector, still fear that setting numerical targets for the employment and promotion of women is tantamount to introducing quotas. Many feel that a male backlash could be the result of any suggestion that women are getting jobs because of quotas rather than on merit.

John Birt, deputy director general of the BBC and another leading member of the Opportunity 2000 initiative, has been one of the few to make a public commitment to numerical targets. The BBC has said that it wants to see 40 per cent of middle management jobs occupied by women by 1996. Last year, when the targets were announced, 10 per cent of senior BBC managers and 18 per cent of middle managers were women.

A minority of the participating companies are opting for numerical targets; British Airways and National Westminster Bank are likely to be in favour; Sainsbury and the publishing group Reed International, for example, are expected to be opposed.

Bargh is anxious to move the spotlight off numerical targets alone during the launch "One of the exciting things is the diversity – which means that not all the goals will be numerical. But that doesn't mean they won't be just as meaningful – or just as measurable. We'll be following them through until the end of the century and for as long as is needed."

Getting sex out of the office

Lucy Kellaway reports on EC moves to formulate a policy on sexual harassment

Ten years ago most employers did not know what sexual harassment was. Now they may be uncertain whether to say HARassment or harASSment, but they can no longer avoid the issue. Even without the example of Judge Clarence Thomas and Professor Anita Hill in the US, European companies are starting to realise that something needs to be done.

Next week the European Commission is due to bring out a code of conduct for companies and trade unions, and at the beginning of next month ministers and policy experts from the EC will get together for a three day sexual harassment extravaganza in the Netherlands. Everybody agrees that the taboo surrounding sexual harassment must be broken and that it is up to companies to act.

Despite such attention, there is still some confusion over what sexual harassment actually is. Most definitions centre around the idea of sexual behaviour that is either physical or verbal and which is unwelcome to its recipient. Forcible sexual aggression, displays of pornographic pictures, and bottom-pinching clearly count as harassment, but cheek-kissing on parting, or eyeing up and down are more doubtful cases.

However defined, the problem is a serious one. A survey conducted earlier this year by Alfred Marks, a UK employment agency, showed that a hair-raisingly high 60 per cent of 5,000 of its employees had experienced some kind of sexual harassment during their working lives, most of them several times. Some victims said they became embarrassed and humiliated, others angry and bad-tempered. People suffer, it seems, but do nothing about it. Only one in 20 complained to personnel departments, and in half the cases nothing was done as a result.

The main aim of the EC's code of conduct is to improve corporate practice. At first sight its guidelines seem so obvious as to be barely worth spelling out. However, as the vast majority of private companies – 80 per cent in the UK, according to Alfred Marks, and even more elsewhere in Europe – have no policy to deal with sexual harassment at all, guidance is evidently needed.

In particular, the code recommends that companies:

● put out a clear statement of principle condemning all harassment so as to prove to employees that it takes the matter seriously;

● train managers to deal with problems;

● set up informal and formal avenues for complaint;

● provide advice for victims;

● set up a system for investigating complaints;

● discipline culprits.

So far ICI and the big clearing banks have taken the lead among private sector employers. However, it is not certain whether their schemes are having much effect. ICI's policy – announced earlier this year – fulfils many of the guidelines. It issued a statement deploring any "unwanted conduct with sexual connotations, whether physical or verbal, which is offensive to the recipient".

Victims are encouraged to lodge complaints with their immediate superior, or with the personnel department. The company promises that all allegations will be investigated "impartially and confidentially", and that disciplinary action will be taken against offenders. Each manager is responsible *for making sure* the policy is put into practice.

Despite having done all the right things, ICI says that so far it has not received a single complaint. "We do not have a problem; there have been no cases so far," says a spokesman. However, it is hard to believe that there have been no squalid incidents in an organisation that employs more than 130,000 people worldwide; perhaps victims still do not dare not speak out.

The public sector has taken firmer action against sexual harassment, and its policies tend to be broader than those of the private sector. Leicester City Council has specially trained a number of women to act as "listening posts" for victims to talk to. Their task is to advise and act as *confidentes*; the response has been so overwhelming that some of the *confidentes* have complained of stress from so much listening.

Although compliance with the EC code of practice is only voluntary, UK companies have a strong incentive to take account of it. The existence of a policy on sexual harassment will provide some protection should the company find itself hauled before an industrial tribunal. An employer may be

It is hard to believe that there have been no squalid incidents in an organisation that employs more than 130,000 people

held responsible for sexual harassment if it does not have any policy of prevention.

There is no specific law against sexual harassment in Europe – indeed it is not mentioned in law at all. However, since a court decided in 1986 that sexual harassment could be illegal under the Sex Discrimination Act, a relatively large body of case law has been built up in the UK, but in the rest of Europe there is no legal recourse for victims.

Although forms of legal redress may be inadequate and compensation slim (up to £10,000 in the UK), tightening up the law is not the answer. "Most women who have been subjected to sexual harassment just want it to stop – they don't want to get their pound of flesh at a tribunal," says Jayne Monkhouse of the Equal Opportunities Commission.

A lasting solution to the problem of sexual harassment is not going to come quickly. As the EC's code of conduct makes clear, sexual harassment is part of the bigger issue of the unequal treatment of women at work; corporate policies are only likely to succeed if they are linked to schemes to improve the lot of working women.

Things have changed, but there is still plenty of room for them to change more. According to Michael Rubenstein, co-editor of the Equal Opportunities Review, Europe fails the ultimate test: "If there were a Ms Hill here in 1991, would she have dared to speak up? The answer must be NO."

BUSINESS AND THE ENVIRONMENT

Bernard Simon describes Inco's plans to cut the sulphur dioxide emissions at its Ontario plant

Fired up with a green flame

Every minute, day and night, the enormous chimney which dominates the skyline of Sudbury, Ontario, belches more than a tonne of sulphur dioxide into the crisp air above the Canadian Shield. Superstack, as the 1,250 ft-tall structure is known to the locals, unmistakably identifies its owner, the Toronto-based mining group Inco, as the western world's biggest nickel producer, and also North America's worst single source of acid rain.

Inco is about to take a big step towards cutting its contribution to the continent's air pollution problem. The Prince of Wales will be in Sudbury, 400km north of Toronto, tomorrow to inaugurate the centrepiece of a C$600m (£300m) project which is designed to reduce Inco's sulphur dioxide emissions by 60 per cent within the next three years.

Prince Charles will press the button on the first of two new furnaces. The oxygen-fired process is widely regarded as among the most energy-efficient and environmentally acceptable ways of smelting sulphur-based ores.

Inco's investment, which involves *modifications* to its milling and concentrating operations, has been prompted as much by environmental pressures as commercial factors.

Peter Garritsen, the project's manager, says: "We want to maximise the economic return, and at the same time do the right thing. We understood that the time was going to come anyway."

Inco declines to reveal the impact of the project on its production costs. It says, however, that with a modest 6 per cent return expected from the new smelters, this part of the project can be justified only on environmental grounds. The investment in the mill and concentrator will provide a more healthy 20 per cent payback.

Garritsen acknowledges that anti-pollution legislation passed by the Ontario government in 1985 has pushed Inco further than it originally planned.

The Sudbury operations have the disadvantage of mining ore with an unusually high content of a sulphur-bearing rock known as pyrrhotite. Every pound of nickel mined brings with it eight pounds of sulphur.

Until the Superstack was built in 1972, sulphur dioxide was spewed into the air through three low chimneys. Most of the pollutants landed around Sudbury, where they wiped out vast tracts of trees and grass over the years.

The tall chimney, which is as high as the Empire State building, improved local air quality by pushing sulphur dioxide higher into the atmosphere, where it could be carried away by high winds.

While the chimney may have helped clean up the air around Sudbury, it has passed Inco's pollution problem on to communities in other parts of the continent.

Inco developed a more acceptable solution during the 1980s by adapting to nickel extraction the oxygen flash-smelting technology which it already used for copper. Nearly pure oxygen is passed over the concentrate in a furnace, resulting in a spontaneous chemical reaction, which separates molten metal from the sulphur and iron-bearing pyrrhotite. Inco initially expected oxygen flash-smelting to raise the sulphur extraction rate from 70 to 80-85 per cent.

But the Ontario government set a tougher goal, insisting that a 90 per cent containment rate be reached by 1994. Achieving that target means that *Inco must cut emissions through the Superstack by almost two-thirds, from 685,000 to 265,000 tonnes a year.*

The oxygen flash furnaces have two environmental advantages. First, combustion is provided by clean oxygen, rather than fossil fuels, such as natural gas or coal. Second, the furnace captures large amounts of highly concentrated sulphur dioxide. The SO_2 is converted into sulphuric acid and liquid sulphur dioxide, which Inco sells to a variety of industrial customers.

Inco engineers study the brickwork inside one of the new oxygen-fired flash furnaces

The new process has substantial costs, however. In particular, the higher the pyrrhotite content extracted from the ore, the larger the amount of nickel that goes out with it. While new milling technology has raised the proportion of sulphur eliminated from the ore prior to smelting from 62 per cent to 67 per cent, Garritsen says the process will result in a "not insignificant" reduction of nickel recovery.

That drawback is balanced, however, by other facets of the operation. For the first time, for instance, the Sudbury operations will produce a bulk copper-nickel concentrate, instead of separate concentrates. Besides the smelter-tapping ceremony tomorrow, Prince Charles will also be shown some of the work Inco has done to repair the ecological damage caused by mining and acid rain.

The company now spends about C$1m (£500,000) a year to plant grass and trees on its tailings dumps and in other areas around Sudbury. Ellen Heale, Inco's environmental co-ordinator, estimates that the company has planted more than 600,000 trees in the past decade. The local municipality has put in another 1.2m.

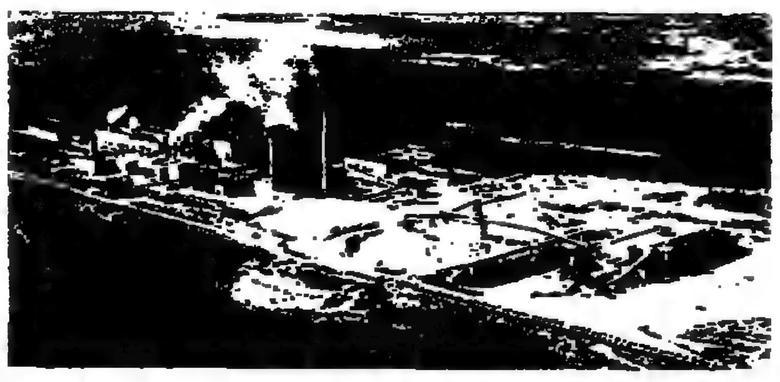
Besides replanting the tailings dumps, Inco is gradually turning the 5,000-acre site into a wildlife habitat. It has brought in 168 Canada geese goslings. A black bear and numerous foxes have also found a new home on the reclaimed dumps. With the first phase of the sulphur dioxide abatement project about to come on stream, Ontario has already asked Inco to examine the feasibility of cutting its emissions still further beyond 1994 – to 175,000 tonnes a year.

The company doubts, however, that this target can be reached without an unacceptable dent in profits. "If we go beyond 90 per cent at this time," says Garritsen, "we'd be building large facilities for a little bit of extra sulphur."

Inco is also nervous that by putting extra supplies of sulphuric acid and sulphur dioxide on the market, it would depress prices for these two by-products. The bigger question is whether Inco's costly project will make a significant contribution towards cleaning up the air over the industrial heartland of North America.

Inco may be the largest single source of sulphur dioxide, but its emissions are miniscule in relation to the total. When weak metal markets forced the company to curtail production at Sudbury sharply in 1982, there was no measurable impact on the amount of sulphur dioxide in the air.

Even in Sudbury, the impact of the project will be limited. As Heale puts it: "I'm not sure people on the street will see an improvement in their lifestyle. But they will see less smoke coming out of the stack."



Metsä-Botnia's pulp plant aims to be chlorine-free by 1995

Modern mills take an axe to pollution

Enrique Tessieri examines Finland's efforts to discover cleaner ways of producing pulp

Finland is a country obsessed by its forests. Its history, culture and way of life revolve around one essential raw material – wood. But the romanticism of these sublime sub-Arctic forests vanishes rapidly when one drives through the south-eastern Finnish towns of Lappeenranta and Imatra. Like a basket full of rotten eggs, the strong smell of sulphur emissions spewing from pulp mills is everywhere.

Pulp production can also be highly polluting. The use of chemicals such as chlorine, which is central to the bleaching process, has raised public concern in the past years to the extent that forest companies are now competing with each other to produce chlorine-free pulp.

Chlorine can destroy aquatic life if discharged into the environment in great quantities. Expensive water waste treatment devices at pulp mills have already reduced chlorine emissions so that fish and plant life have returned to some once heavily polluted lakes.

But strict adherence to environmental standards is costly. In Finland, a new pulp mill with an annual capacity of 500,000 tonnes costs FM2.5bn (£350m) to build. Of this sum, FM500m alone would have to be spent on anti-pollution devices.

Pulp is produced by cooking, washing and then bleaching wood. In Finland, the cooking process is done using sulphate, which is an alkaline chemical. Other countries use sulphite, which is acidic and causes more environmental pollution. Finland is gradually phasing out its older sulphite mills.

A further advantage of using sulphate is the quality of the pulp that is produced. Although sulphite mills require fewer chemicals in the bleaching process – primarily chlorine – the strength of sulphite pulp is inferior to what is produced with sulphate.

In the search to produce "cleaner" pulp, Metsä-Botnia, a Finnish pulp manufacturer which is partly owned by Metsä-Serla and Repola, two large forest groups, announced that it had discovered a process to bleach sulphate pulp with the help of enzymes but without any chlorine compounds. The enzymes "puncture" holes into the pulp fibre and discharge lignin, an amorphous substance which is responsible for giving pulp its dark colour.

Jyrki Kettunen, a Metsä-Botnia pulping expert, says that the breakthrough will be 10 per cent more expensive to produce than current methods and will add 5 per cent to the price of paper.

Finland laid the foundations of research in chlorine-free bleaching as early as 1973, when development work on oxygen, peroxide and biological bleaching began.

Six years ago, however, the Technical Research Centre of Finland's Biotechnical Laboratory (TRCFBL) and the Finnish Pulp and Paper Research Institute instigated research on biological bleaching. Other companies like Alko and Cultor, two enzyme groups, also played an important role.

The Finns are not the only ones producing chlorine-free pulp. Germany's sulphite mills, as well as two sulphate pulp mills in Sweden and one mill in Spain, also produce chlorine-free pulp.

Kettunen believes that making chlorine-free pulp with enzymes is more environmentally friendly than what is produced at Germany's sulphite mills. Since sulphite mills require greater amounts of water than sulphate mills to produce pulp, they also discharge more wastes.

Liisa Viikari, a TRCFBL biotechnologist, says that the enzymes used in making chlorine-free pulp do not cause damage to the environment. "The quantity of enzyme is so small that they do not cause any risks," she explained.

Metsä-Botnia aims to implement its new chlorine-free technology over the next three to four years, according to Kettunen. The new Metsä-Botnia mill at Rauma will start production in 1992 and have an annual capacity of 500,000 tonnes.

Metsä-Botnia hopes to produce 4,000 tonnes of chlorine-free pulp this year and 40,000 tonnes in 1992. The main markets for the product will be Germany, the Benelux countries and Finland.

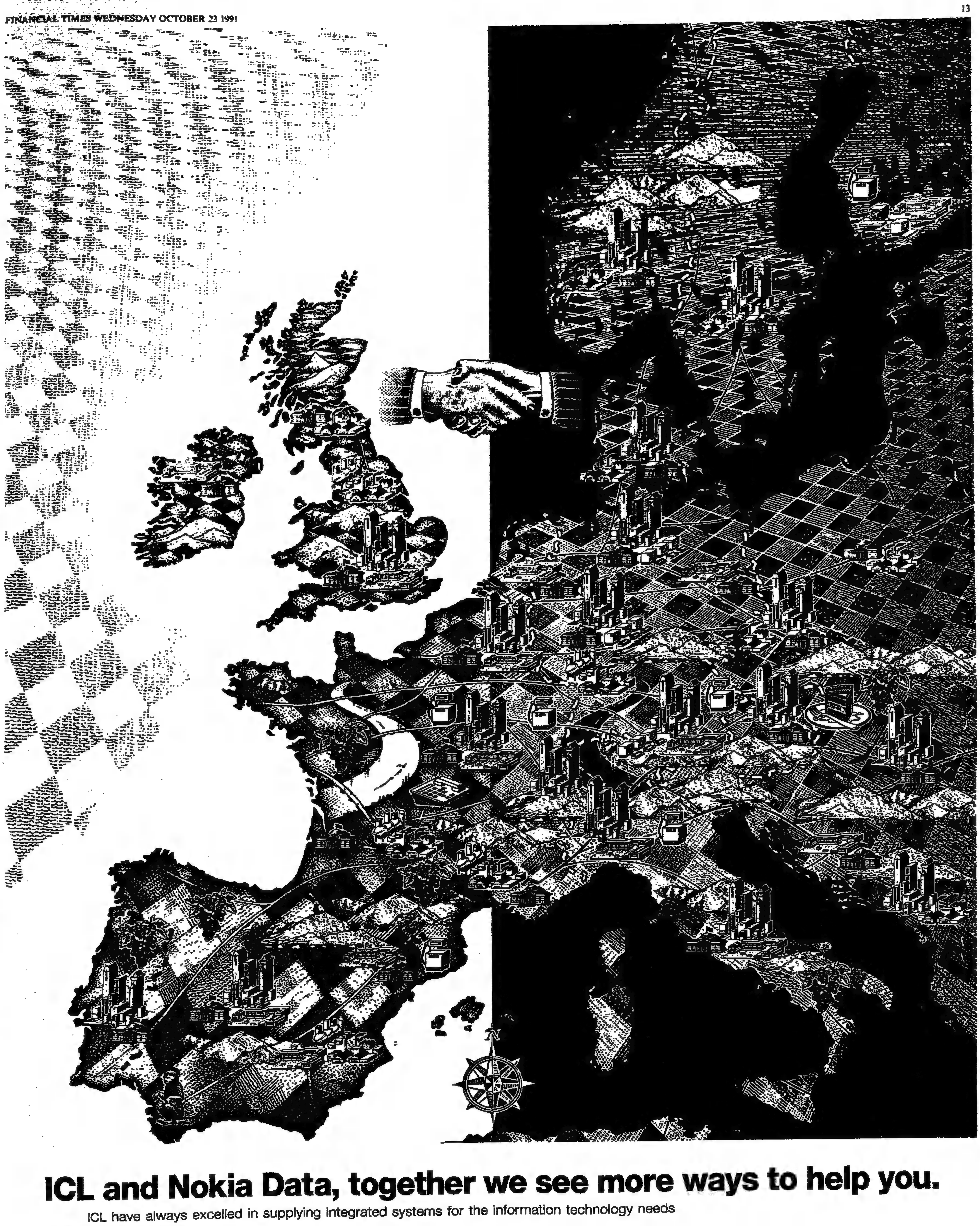
Kettunen believes that producing chlorine-free softwood pulp with enzymes is only one important step in the right direction. "The ultimate breakthrough," he explains, "will happen when we can also produce chlorine-free pulp from hardwood, and when enzymes will help us to solve the waste water problem."

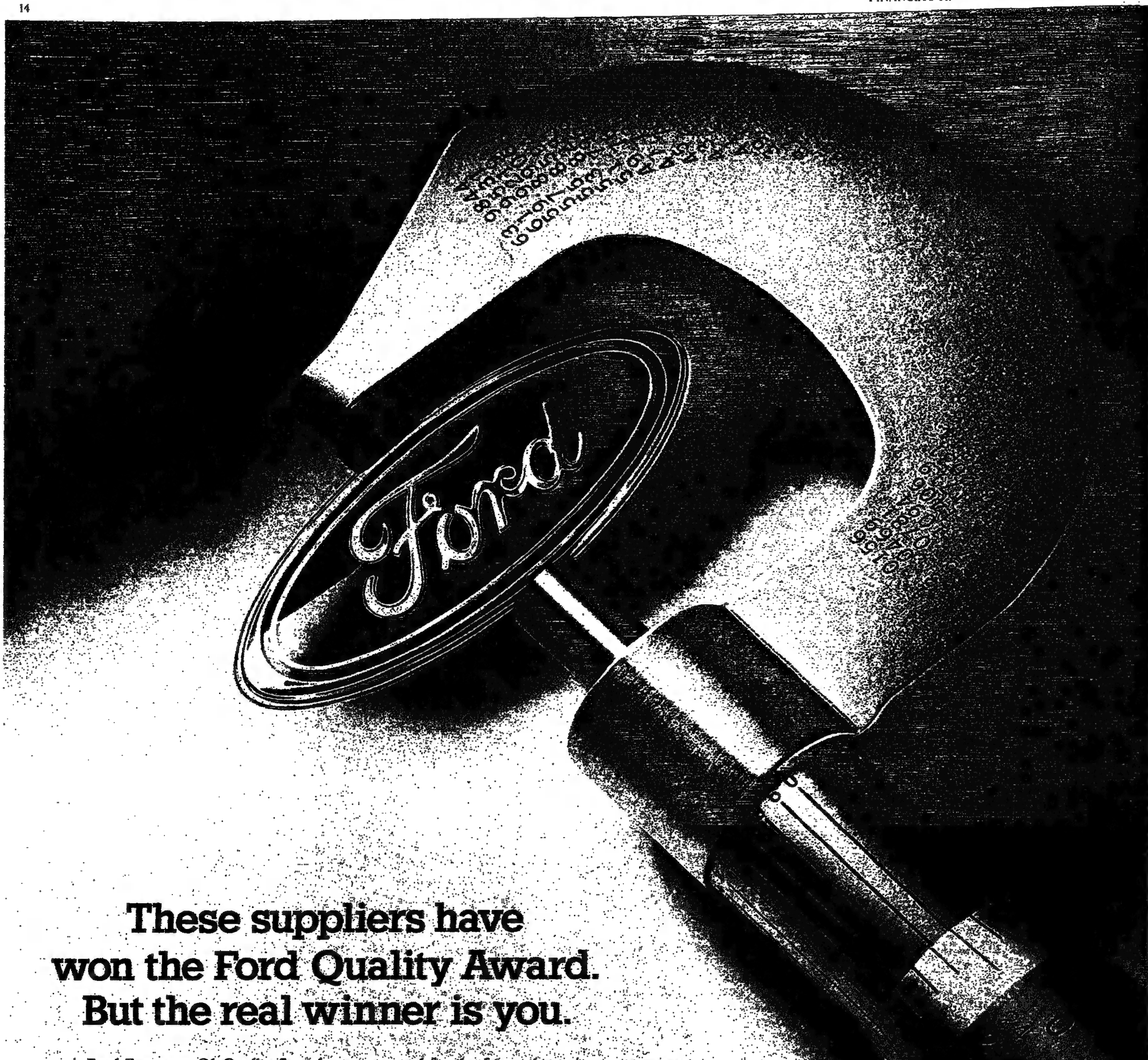
Kettunen expects, however, that it will take 10 to 15 years to solve the waste water problem. "By then, biochemistry will enable the pulp industry to recover such wastes like phosphorous, which are left behind when making pulp. The phosphorous could be commercialised in the future and sold to the market as a fertiliser."

Kettunen believes that enzymes could also help reduce costs at a pulp mill by making the bleaching process simpler. Instead of having five different bleaching stages, each of which costs FM200m to build, a pulp mill of the future would only require two stages.

"Apart from being cheap and clean to run, my vision of a modern Scandinavian pulp mill of the next century would have two production lines with a combined annual capacity of 1m tonnes," he said. "One of the production lines would be for producing softwood and another for hardwood pulp. With the help of biochemistry, we would be able to reduce pollution economically."

Even with enzyme help, the malodorous side to making pulp will remain. "Pulp mills will also smell in the 21st century," said Kettunen.





ARTS

TELEVISION

A question of being English

"If something is not what it claims to be, what is it?" asks the Queen in Alan Bennett's play *A Question of Attribution*. In this glorious and quite unforgettable scene the Queen is in converse with Sir Anthony Blunt, Keeper of Her Pictures, scholar, and spy. The answer, in the monarch's view, is a fake. Blunt demurs. "An enigma?", he suggests. "That is, I think, the sophisticated answer", rejoins the Queen.

Perhaps this is the moment when Blunt, played by James Fox, realises that his employer is no longer talking about Titian but about treachery. Three times I have played the scene over, partly to look for that extraordinarily subtle shift when royal platitudes turn into the arraignment of a traitor, and partly for the sheer magic of Prunella Scales's performance as the Queen.

This is a play about authenticity, the great game of art-historians. And what better theme could there be in the week when Eric Hebborn – a friend of Blunt's – has so wonderfully blown the gaff on his own Old master fakes? To the Queen, cast as spokesman for the ordinary public, the issue boils down to the question of whether a thing is genuine or not. The ungenuine article is fit only for the dustmen; or for the newsmen who, after Blunt has been "outed" as a spy, wait on the steps of the Courtauld Institute to tear him to pieces.

In the opening scene a new Secret Service minder, Chubb (David Calder), is assigned to worm out of Blunt the identity of the fifth man. Chubb, like his Queen, represents the plain man's view. Common sense is hard-edged. Chubb sighs, only half-jokingly, for the days when extracting finger nails was the permitted way to get at the truth. As it is, he swoops on Blunt at all hours, showing him photographs of faces from forty years ago, waiting for the identification which never comes.

Part of Alan Bennett's brilliance is his inability ever to descend into mere caricature. Blunt is not portrayed, as a lesser dramatist might have done, as a redundant intellectual. On the other hand, Chubb and the Queen are certainly not dunderheads. They turn to Blunt for what he can offer, a key to the mysteries of understanding Old Masters. "Poussin. Chicken. One has just had it for lunch so it is still fresh in one's mind", muses the Queen. She wants to know facts; Poussin's dates, and whether there is a Poussin in what Blunt wittily described as not so much a Royal collection but an accumulation. Chubb, however, wants to go into art more deeply.

In Bennett's eminently sympathetic picture, Blunt's mistakes were committed long, long ago. Now he is on the threshold of old age and shadowed with cancer. The X-rays of a fake Titian are not the only ones to be examined in the play; Blunt's own treacherous entrails are up for scrutiny. Whoever Blunt the traitor was, now he is purely the scholar and gifted teacher; the only weak moment in the play is his unconvincing Courtauld lecture, a sort of Cook's Tour of the Renaissance.

Despite Blunt's cut-glass vowels, the audience is surely meant to pick up on the fact that he is an intellectual and aesthetic snob far more than a social snob. Moreover, the varnish of snobbery is only thin, quickly dissolves when faced with the enthusiasm for learning shown by Chubb, the man from Purley.

And yet, in a play about feigning, the plain man from Purley is also a spy. It may well be that Chubb is not genuine, but is simply faking an interest in art in the hope that Blunt will spill the beans where Chubb's predecessor, an MI5 clod with public-school vowels, has failed. *A Question of Attribution* will, of course, be garlanded with prizes, and rightly. I have not enjoyed any television play so much since . . . since . . . oh alright, *An Englishman Abroad*.

★

If I was stood against a wall and ordered to define Englishness, I would say an Alan Bennett play and hope to be let off the book. National stereotypes are only really at all useful as signposts to the others; the Japanese are polite, the French are rude, and so on. Defining one's own national characteristics is pretty well impossible and not in the least informative. Flabby generalisations are not likely to make compulsive TV, so I turned on with some scepticism to the two new series, *Think of England* and *Little England* on BBC-2, which both fly the flag of St George.

Little England is only a ten-minuter which takes some particular obsession which could be called peculiarly English (we tend to talk about the English as if they are a race peculiarly prone to obsessions). This week the obsession was lawns which, by the by, is also a WASP obsession according to an amusing book on gardening in North American recently commended by the *FT*'s gardening writer. Mercifully, the programme was pretty respectful in the way it presented its subject, an elderly and thoroughly admirable lawn enthusiast – respectful, that is, apart from the faint mockery which came from the 1950 cinema music. However, as I know all too well, non-gardeners can indeed find it absurd that someone should spend all day in a garden and not even come in for meals.

The serious essay on Englishness, *Think of England*, last week brought us the novelist Sue Townsend (author of the Adrian Mole series), taking the knife to her home town, Leicester. More generally, she was on about English attitudes to the body. If anyone has to have a crack at putting flesh on the bones of clichés, such as English repression, love of grotesque, fear of sex, obsession with bowels, etc., then it might as well be Sue Townsend who has a good eye and a fine ear for a phrase.

Roger Scruton, presenter of last night's *A Green and Pleasant Land*, does not quite have Sue Townsend way with words. Oddly enough, the fact that he is a philosopher and social thinker also seemed to be no advantage. But it is always risky to impute the weaknesses of a documentary to its ostensible subject. Film-makers have, of course, a wonderful way of making the most cogent and well-argued opinions emerge, "at the end of the day" as a damp squib.

And soggy the Scruton essay was. He thinks the English countryside is incomparable, "varied and assertive", that it should be preserved, that the view of Salisbury Cathedral across the meadows should not be spoilt, that there is a problem in how people from towns have access to the countryside, and that hunting is great fun and can be justified on ecological grounds. All views which, by and large, I happen to agree with.

He also thinks that the English weather has made "us" i.e. the English, patient and phlegmatic. Hmm, this is getting to sound a little foggy. After all, they have the same weather on the Blackbird Leys housing estate in Oxford, and yet they joy-ride, and riot, and stab people. And the Bicester hunt, careering a few miles away and duffing up anti-hunt demonstrators, are they patient and phlegmatic, or even, for that matter, necessarily English?

The problem with *Green and Pleasant Land* was not actually the famously controversial views espoused by Scruton, but rather that it collapsed under the weight of flabby generalisations. There was no coherence, and very little argument. Instead, we glimpsed many hobbyhorses careering hither and thither, such as "our iniquitous tax laws", choir schools as the place for "real education" with properly dedicated teachers. Any one of these hobby-horses might have made a perfectly reasonable – if well-reasoned – programme.

For example, Scruton admires the role of private landowners in preserving the countryside. Does he really think that more of them would preserve the land better for the enjoyment of the humble fisherman, out from the town for the day, and the new countrymen like himself who can afford to live there? But one third of our countryside is in fact in the hands of aristocratic private owners. Have they really been such benign stewards of the land?

A lot of heads must have nodded as Scruton rabbitted on about Magna Carta and Constable and Trollope etc. etc. But whereas Scruton the fearless controversialist one may admire, Scruton wearing thick riding gloves is far harder to take.

Patricia Morison

Prunella Scales and James Fox in Alan Bennett's 'A Question of Attribution'

Ballet Gala in Paris

The French dearly love a gala. And where better to watch dance coruscations than at the Paris Opéra – the *real* Paris Opéra for those of us reared in Charles Garnier's adorable palace. It is all, really, a matter of *gloire*, of national pride, and a prodigal outpouring of dance, as the ballet season begins, naturally reasserts Paris's importance in the terpsichorean scheme of things. And what better than to invite stellar guests to join the Opera Ballet's own *étoiles* in three galas at the end of last week?

I saw Saturday night's final burst of physical and emotional fireworks: three and a half hours of what a distinguished colleague, consulting an Italian dictionary, for the meaning of *gala*, once found described as *a frill or tuck*. Well, there were frills galore, and a few tucks, but by concentrating on contemporary choreographies, the evening avoided too much of the predictable and too many stars relentlessly spinning and grinning.

There were, even so, some dark moments: the Opéra's wonderful Monique Loudières should not have allowed herself to be involved in Oscar Araiz's *Adagietto* in which a Mahler slow movement is smeared with a combination of eroticism and religiosity. It is a triumph of kitsch and the grave of artistry. Nor should Manuel Legris, magnificent dancer, have been caught up with nine other bare-chested chaps in John Neumeier's *Spring and Fall*, which looked like a team of gymnasts at a revivalist meeting. And under no circumstances should the distinguished *étoile* Claude de Vulpian have appeared as what I take to be *The Dying Dragonfly*, a solo of stunning cuteness and fatuity, both musical and choreographic. Especially since Ludmila Semenyaka had earlier proposed a *Dying Swan* of profound feeling and authority.

These quaintnesses apart, the evening brought very real rewards. Any performance that begins with Julio Bocca tearing through the *Diana and Acteon* duet wins its public. Bocca's physical prowess is astonishing, the fire of technique guided by a no less fiery intelligence that finds a compelling image for us in any choreography. He races, roars over the stage like a free spirit, and we marvel at leaps and at the exultant curves of his body, and know the drama of the role as well as of his technical daring.

His partner, Elizabeth Maurin, was understandably somewhat outshone. Not so Isabelle Guérin who joined Patrick Dupond in a new duet from Twyla Tharp. This *Grand Pas* is disco ballet, set to miserable Paul Simon music. Tharp has identified a mocking virtuosity for the 1990s, the two dancers relaxed, sassy, suddenly challenging each other, then sloping away from the steps with a shrug. Guérin is impeccable, *extra-sec*; Dupond displays those lithe, dizzyingly fast steps that have ever been his speciality; both play with and against each other, keeping their cool the while.

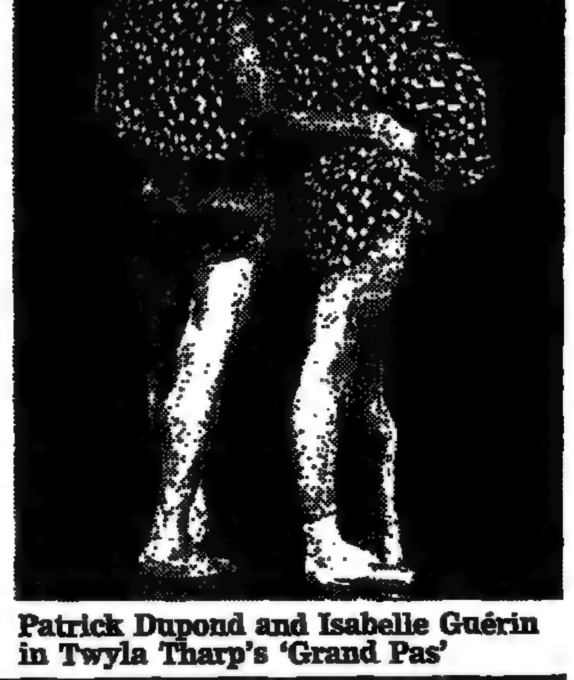
Roland Petit's dramatic sense never seemed more apt than in two extracts from major works: the Proustian *Prisoner* duet, in which the sleeping Albertine (Dominique Khalfouni) *obsesses Laurent Hilaire's brooding Marcel*; and the poignant scene between Quasimodo and Esmeralda from *Notre Dame de Paris* in which Cyril Atanassoff was heart-tearing yet again as the hunchback protecting Marie-Claude Pietragalla's gypsy girl.

These were magnificently sure interpretations, as was Charles Jude's vicious, menacing Iago in *The Moor's Pavane*, albeit Limon's modern-dance classic is hardly *gala fare*. Evelyne Hart and Kader Belarbi were Rudi van Dantzig's Romeo and Juliet in a balcony scene where the intensities of the score do not really touch the choreography; but that impeccable classicist Elisabeth Platel became all passion and caprice in the first meeting of Marguerite and Armand from Neumeier's Lady of the Camelias, with Ivan Liska, from Neumeier's Hamburg Ballet, revealed once again as a dramatic artist of outstanding power, an Armand ardently plunged at Platel's feet.

It was good to see Darcey Bussell in such *company*. With her new Royal Ballet partner, the Hungarian Zoltan Solymosi, she sailed happily through Balanchine's *Chaikovsky pas de deux*. The sweetness of her dancing, its ease and musical grace – and its unforced brilliance – have clearly won Paris's heart. Solymosi is a sure cavalier, slightly rough in style on this occasion, but a strong and complementary presence to set beside Miss Bussell.

In a final burst of *starry behaviour*, the evening closed with Semenyaka and Irek Mukhamedov in the high Hispanic jinks of *Don Quixote*. Here were the fouettés that gala audiences demand, and the sense of two artists challenging each other. Semenyaka was showing us that she was queen of all she surveyed, whistling through her solo with nicest wit. Mukhamedov was not to be up-staged, and his temperament and sense of theatre, and his bravura, were entirely equal to his partner's dazzling ways. It was a fine and fizzy end to the evening.

Clement Crisp



Patrick Dupond and Isabelle Guérin in Twyla Tharp's 'Grand Pas'

Lady Audley's Secret

LYRIC, HAMMERSMITH

This production, a new adaptation by Sylvia Freedman of Mary Braddon's old Victorian warhorse, wants to have its cake and eat it. It asks us to relish a real 19th-century melodrama (mellerdrammer) of hidden crimes, hearts wracked, and trembling violin; *and* it wants us to stand back like modern sophisticates and to criticise the values expressed. Too clever by half in theory, it is too stupid by half in practice. Ironically, the best component is the old one: the plot.

It takes some doing to make the bigamous and murderous Lady Audley a feminist martyr, but Freedman has a bash. (Yes, her deeds are villainous, but is it not men and male society that force her to commit them?) She also tries to point out the social snobbery exhibited by Lady Audley and other characters, to underline the unthinking chauvinism of the male characters, and to snigger at the tissues of clichés uttered by all the dramatis personae.

The trouble is, the more seriously ambiguous you try to make an old chestnut like this, the more you show how much better work has been done along similar lines by superior artists. Watching this production, I found myself thinking nostalgically of Ibsen's Hedda, of Euripides's Medea, of his and Racine's Phaedras and, in particular of Lady Dedlock in Dickens's *Bleak House*.

Annie Castledine's production only emphasises the awkwardness of the evening. And, though Martin Johns's set is handsome, his designs in general supply little sense of context and detail. The words make much of differences of social status and income, but the staging shows minimal distinction in accent and deportment between servants and masters. Though the text forever nudges us to notice what unthinking control freaks men were/are, nothing we see shows the physical conditions that oppressed Victorian women. As Lady Audley, Sally Edwards lolls in chairs, apparently wholly uncorseted, and, after dinner, shoves one sweet into her mouth after another. And, while it is indeed a good idea to use piano and violin to build up dramatic tension in melodramatic style, it is silly to have the musician smugly stalking the stage; and sillier then to show a *lack* of trust in music by adding wind and thunder noises.

I envy no actor who has to work in these conditions. As the heroine-anti-heroine, Sally Edwards switches between a brittle, dangerous brightness (Pamela Stephenson type) and a hugably cosy domesticity (more like Angharad Rees). I found the gear-changes a tad obvious, but at times she suggested smartly enough how Lady Audley's febrile intensity is what makes her both attractive and fatal to men. The best performances, were by Robert Bathurst as her first husband and Michael Simkins as her nephew-by-marriage and persecutor. Smoothly they suggested both bright and dark sides of character without any Jekyll-into-Hyde changes of tone.

Alastair Macaulay

Rose Keegan

In Malcolm Rutherford's review of Alan Ayckbourn's *The Revengers' Comedies* on Saturday Rose Keegan was mistakenly called Norma

Brendel and Rattle

BARBICAN HALL

Beyond doubt, Alfred Brendel is a master pianist in the Viennese Classical repertoire. Over a couple of decades he rose to a great height, and we treasure memories of performance after revelatory performance. More recent years have been less fun. Always the same vital intelligence, but Definiteness of Intention began to seem less a virtue than a superior kind of vice: insistent point-making, with too much unlovely sound.

When Brendel played Beethoven's First and Fourth Concerti with Simon Rattle and his City of Birmingham Symphony last week, any such reservations were swept away. These were wonderfully engrossing performances, dense with expressive detail but realised in piano-terms of often visionary beauty – especially in the Fourth Concerto, where every "mere" keyboard flourish took on a radiant sense.

Two special factors deserve remark. One was Rattle, with his alertly loyal band. For the finals of the last Leeds Piano Competition, he managed at short notice to address Schumann's piano concerto in three quite different ways for as many young finalists – an extraordinary feat of sympathy. Here, partnering a master pianist, he prompted creative echoes in the orchestra whilst ensuring structural integrity for the scores.

The other special factor was a surprise: Brendel chose to play both concerti with the piano lid *off* – not just lifted. I thought the experiment a great success in the tricky Barbican acoustic. Though the piano-sound remained live and lucid, Brendelian sallies that an open lid would have focussed as sharp elbow-thrusts floated magically instead over the orchestral textures.

Between the concerti, Rattle chose to play Schoenberg's op. 31 Variations for Orchestra. Brave choice, uncomfortable music: it was Schoenberg's first concert-size work in his new twelve-note method, and far less successful than his earlier atonal (but non-serial) Five Orchestral Pieces. The colours of op. 31 are duller, the diction square-cut and staid, as if to reassure us that the new method is not too radical. The CBSO put a good face on it all.

David Murray

The Olympians

QUEEN ELIZABETH HALL

The Olympians are a troupe of strolling players. Once a year, on Midsummer night, they put on their favourite show and it turns out to be a real corker. For this is the night their strength returns and the actors, assuming their Olympian personae, lead the audience in a wild Bacchanalian orgy.

It is a good story, but the opera Bliss fashioned from it did not meet with much success when it was premiered at Covent Garden in 1949. Since then *The Olympians* has had few performances. The composer's centenary was its best chance of getting an outing and the Chelsea Opera Group duly did the decent thing by putting on a concert performance on Saturday.

It would be nice to say that a neglected masterpiece was revived, but unfortunately that is not the case. J.B.Priestley's text might have worked if it had been set as a swiftly-moving comedy with an edge of satire, but between them composer and librettist allowed the setting-up of the joke to proceed far too flabbily. There is nothing like enough motivation to support the extravagant scene of nocturnal revels.

Nevertheless the Chelsea Opera Group assembled a very reasonable cast. In the role of Joseph Lavatte, a veritable Baron Ochs, bumptious and self-important, Brian Bannatyne-Scott sang with a proud firmness of tone. Carol Smith and Christopher Gillett were the not quite sweet enough lovers.

Although the strings were tested by some of Bliss's more ambitious writing, Martyn Brabbins urged his players on and even managed to get the ladies of the Chelsea Opera Group Chorus to fling caution to the winds with their euphoric Bacchic cries. Christine Bunning was the impressive Diana and Peter Sidhom a strong Jupiter.

Despite its entertaining plot and an often inventive score, this opera is all missed opportunities. It lacks the comic sharpness that Britten had brought to *Albert Herring* two years earlier and even the best of its music fails to create a unique and special world, as Walton was to do in his not greatly more successful *Troilus and Cressida* a couple of years later. *The Olympians* is a work for centenary performances only, I fear.

Richard Fairman

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra in Shostakovich's Ninth Symphony and Beethoven's Fourth Piano Concerto, with Bella Davidovich. Repeated tomorrow and Sat at 20.15, and Sun at 14.15 (6718 345)

BERLIN

Staatsoper unter den Linden 19.00 John Cranko's ballet The Taming of the Shrew. Tomorrow: Il trovatore (East Berlin 2004 762)

Deutsche Oper 19.30 Gwyneth Jones sings the title role in Tosca, with Neil Shicoff as Cavaradossi and Ingvar Wixell as Scarpia. Tomorrow: Liza Minelli in concert (West Berlin 3410 249)

Schauspielhaus 20.00 Georg Christoph Biller conducts the Berlin Sinfonietta in Bartok's Divertimento for String Orchestra, Haydn's Symphony No 104 and Mozart's Piano Concerto No 23, with Gerald Fauth. Tomorrow: Leipzig Bach Collegium. Sat, Sun, Mon: Milan Horvat conducts the Berlin Symphony Orchestra in Haydn's Symphony No 73, Mussorgsky's Pictures from an Exhibition and Pfitzner's Cello Concerto, with Gerhard Mantel (East Berlin 2272 261)

Philharmonie Kammermusiksaal 20.00 James Levine conducts the Berlin Philharmonic Orchestra in Schoenberg's Verklärte Nacht, Stravinsky's Symphonies for Wind Instruments and Mozart's D major Symphony K297. Repeated tomorrow, Fri and Sat. Sun: Berlin Philharmonic Octet (West Berlin 2614 383)

BONN

Oper 20.00 Ivan Anguelov conducts Jean-Claude Riber's production of Die Zauberflöte, with a cast including Paul Frey, Matthias Hölle, Hellen Kwon and Angela Maria Blasi, also Sun. Tomorrow: Youri Vamos' production of Swan Lake (773667). Fri and Sat in Beethoven-Haus: Keith Jarret plays piano music by Shostakovich (773666)

CHICAGO

Lyric Opera 19.30 Donato Renzetti conducts Sandro Sequi's production of I Puritani, with June Anderson, Chris Merritt, Paolo Coni and Dimitri Kavrakos. Runs till Nov 16, with next performance on Sat. Fri: Le nozze di Figaro (332 2244)

FRANKFURT

Alte Oper 20.00 Rock meets Classic: Gary Brooker of Procol Harum sings with full symphony orchestra backing (1340 400)

Opernhaus 19.30 Hans Drewanz conducts Eugene Onegin, with Clarry Bartha as Tatiana and Hans-Peter Blochwitz as Lensky, also Sun. Tomorrow: La traviata with Margaret Marshall as Violetta (236061)

Kammerspiel 20.00 Ulla Berkewicz's play Nur Wir, in a new production directed by Jurgen Kaizik, also on Sat. Fri: Strindberg's Miss Julie (236061)

English Theater Kaiserstrasse 20.00 The Constant Wife, play by Somerset Maugham directed by Martin Harvey. Daily except Mon till Nov 16 (242 3160)

HAMBURG

Staatsoper 19.30 John Neumeier's ballet Window to Mozart. Tomorrow: Il trovatore with Elizabeth Connell and Leo Nucci. Fri: Tony Palmer's production of Simon Boccanegra. Sat: Neumeier's production of A Midsummer Night's Dream. Sun: Parsifal (351555)

Deutsches Schauspielhaus 19.30 Peter Turrini's play Tod und Teufel. Fri and Sat: Shakespeare's Romeo and Juliet directed by Michael Bogdanov. Sun: The Tempest (248713)

LONDON

Covent Garden The house is currently closed as the result of an industrial dispute. For information call 071-240 1066

Royal Festival Hall 19.30 Oliver Knussen conducts the BBC Symphony Orchestra and BBC Singers in music by Takemitsu, Stravinsky, Smirnov, Kirchner and Schoenberg's Die glückliche Hand. Tomorrow: Lynn Harrell plays Elgar's Cello Concerto (071-928 8800)

Queen Elizabeth Hall 19.45 First performance since 1778 of Thomas Linley's farce The Cady, with a cast including Elizabeth Gale and Robert Tear. Tomorrow: John Casken's Golem (071-928 8800)

NEW YORK

MUSIC

Metropolitan Opera 20.00 Leonard Slatkin conducts Giancarlo del Monaco's new production of La fanciulla del West, with a cast led by Placido Domingo, Sherrill Milnes and Barbara Daniels, also Sat matinee. Tomorrow: first night of new production of L'elisir d'amore (362 6000)

New York State Theater 20.00 Christopher Keene conducts Rhoda Levine's new production of B.A. Zimmermann's Die Soldaten, with Lisa Saffer as Marie. Tomorrow: La boheme (870 5570)

JAZZ/CABARET

● Rainbow & Stars: Lesley Gore is on a month-long cabaret engagement with a selection of her hits, including It's My Party which made her a famous 16-year old in 1963 (30 Rockefeller Plaza, 632 5000)

● Algonquin Hotel: the jazz-pop singer Susannah McCorkle has a new show, taking the form of a tribute to Manhattan singers and songs called Autumn in New York (59 W. 44th St, 840 6800)

● Arthur's Tavern: the line-up includes Al Bundy on Tues, Wed and Thurs; Mabel Godwin, now in her seventies, who proves in her show on Fri and Sat that she is still a singer of racy jazz numbers; and cornettist Lee Lorenz with the Creole Cookin' Jazz Band on Sun. The Grove Street Stompers do their Dixieland thing on Mon (57 Grove Street, 675 6879)

● Ticketron answers inquiries and sells tickets (246-0102)

PARIS

MUSIC

Opéra Bastille 19.30 Myung-Whun Chung conducts Jean-Pierre Miquel's production of Idomeneo, with Keith Lewis in the title role, Inga Nielsen as Elettra and Sylvia MacNair as Ilia. Last performance on Sat (4001 1616)

Châtelet 19.00 Song recital by Gary Lakes accompanied by Dan Saunders. Tomorrow: Pierre-Laurent Aimard plays Schumann (4028 2840)

Salle Pleyel 20.00 Semyon Bychkov conducts the Orchestre de Paris in Berlioz's La Damnation de Faust, with David Rendall, Waltraud Meier, John Tomlinson and John-Paul Bogart. Repeated tomorrow (4563 0796)

THEATRE

Comédie Française 20.30 Iphigénie, Racine's five-act classical tragedy in a new production by the Greek director and designer by Yannis Kokkos, also Fri. Tomorrow: Beaumarchais' Le Barbier de Seville (4015 0015)

Oeuvre 20.45 Dürrenmatt's The Meteor (1966) directed by Georges Wilson. Runs till end of Jan (55 rue de Clichy, 9e. 4874 4252)

Théâtre de la Commune 20.30 Tennessee Williams' play Night of the Iguana (1961), directed by Brigitte Jaques. Daily till Sun (2 rue Edouard-Poisson, 93000 Aubervilliers. 4834 6767)

Arc-en-Ciel 21.00 Tennessee Williams' play Summer and Smoke (1948) directed by Gilles Gleizes. Runs till Nov 9 (1 place du General de Gaulle, 94000 Rungis. 4560 5433)

STRASBOURG

Palais des Congres 20.30 Theodor Guschlbauer conducts the Strasbourg Philharmonic Orchestra in Brahms' Third Symphony and Second Piano Concerto, with Cecile Ousset. Repeated tomorrow (8837 6777)

VIENNA

Staatsoper 19.30 La traviata with Nancy Gustafson as Violetta, Vincenzo La Scola as Alfredo and Renato Bruson as Germont. Tomorrow and Sun: Die Frau ohne Schatten (51444 2960)

Musikverein 19.30 Vladimir Fedoseyev conducts the Vienna Symphony Orchestra in Schubert's Second Symphony and Beethoven's Third, with Rudolf Buchbinder soloist in Mozart's Piano Concerto No 20, repeated tomorrow and Fri (505 8190)

WASHINGTON

This week's Kennedy Center programme is again dominated by the Kirov Ballet, with Giselle (tonight and tomorrow) and a triple bill (Fri, Sat and Sun). The music of David Diamond is featured exclusively tonight in a chamber music concert at the Terrace Theater. In the Concert Hall tomorrow, Fri (at 13.00) and next Tues, Rafael Frühbeck de Burgos conducts the National Symphony Orchestra in a programme including Dvorak and Ginastera, with cello soloist Aurora Natola-Ginastera. John Williams gives a recital in the Concert Hall on Fri evening (467 4600)

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0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of business stories
2330-2400 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FT/V
2130-2200 (Wed) FT Business Weekly – the latest round-up of business news with James Bellini and Debbie Middleton
2130-2200 (Thurs) Talking Heads

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week – a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1240-1400 Inside business
1540-1610 Your Money
1800-1830 World Business This Week
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The road to a wider Europe

THE AGREEMENT reached in the early hours yesterday on setting up a 19-nation free trade zone across Europe marks welcome progress in extending economic integration across the continent. After two years of difficult negotiations, the European Community and the seven-nation European Free Trade Association have reached an accord on establishing the world's biggest common market, taking its place as a central building block of post-cold war Europe.

Seven countries eminently qualified to play the fullest part in European affairs, including several such as Sweden, Austria and Switzerland which were previously barred from complete membership of the western club by virtue of their neutrality, have now come in from the cold. Beyond the headlines and the hyperbole, however,the deal may turn out to be more important for what will *not* happen as a result of the bargain struck in Luxembourg.

For a start, the arrangement will prove transitional. The idea was originally entertained in the parlours of Brussels that an EC-Efta tie-up would be an elegant way of putting on ice the question of extending full Community membership to the Scandinavian and central European economies.

In fact, it has been clear for some time – at least, since German reunification last year at a stroke expanded the Community 200 miles eastwards – that Efta would not be fobbed off with half-measures. Sweden and Austria hope to start entry negotiations as early as next year, ready to join by 1995.

The breakthrough in the Grand Duchy will intensify the debate on EC enlargement, not dampen it. Hungary, Poland and Czechoslovakia, in the vanguard of the newly-liberated eastern European countries, will now be even less content than before – and rightly so – at the prospect of waiting for too long in an EC antechamber.

Short-term gains

Efta countries should also guard against expecting too much in the way of short-term gains from the trade pact. For instance, hopes among Swedish politicians – who are concerned about domestic employment – that the deal will brake the trend for Swedish companies to invest outside the country may not be fulfilled. Since 1972, the two trading communities have been part of a non-tariff system for trading goods. Efta members have greatly profited from the surge in internal Community trade since 1985; with 58 per cent of Efta exports already going to the Community, the trade connections of larger companies in these regions are already well established. These will now presumably be extended to a much larger variety of businesses, including those in services. However, yesterday's compromise lays down a plethora of exclusions in important sectors such as agriculture, fishing, energy, coal and steel. The bureaucrats must be wary of the danger that they may end up controlling more trade than they liberate.

Basic questions

Running well beyond the effects on trade and wealth creation, the agreement on the new trading area touches some basic questions concerning sovereignty and pooling of national interests. One very valid reason served by several Efta nations for their intention to press on rapidly for full EC membership is because even these ostensibly self-effacing countries are not content simply to participate in the EC's trading and regulatory arrangements without having some control over decisions as well.

The horse-trading in Luxembourg over Scandinavian fishing and Austrian lorry routes provides a harbinger of the difficulties lying ahead of a Community which could well include 18 or 24 members by the end of the century. The EC is right to try to provide, through the treaties which could be agreed at the EC summit at Maastricht in December, a more cohesive, convincing and democratic political framework for Community decision-making. The link-up sealed in Luxembourg will increase the complications already banking up along the road to Maastricht and beyond. But it will also make the journey more worthwhile.

Oftel must speak out

THE POLITICS of privatisation has already damaged the interests of UK telecommunications users twice. The overall process has been beneficial. But the government was so keen for a quick sale when BT was originally privatised in 1984 that it ignored advice to create a more competitive market by breaking the company up. Then it rushed through its review of the BT/Mercury Communications duopoly earlier this year, because it was anxious to sell a second tranche of shares before the general election and so scotch the Labour party's plans to renationalise the company.

It would be a shame if users' interests were damaged a third time. But that is now the danger unless Oftel, BT's regulator, speaks out in the six weeks before the secondary sale is complete about how it intends to control BT's prices.

The City recognises that Sir Bryan Carsberg, Oftel's director-general, has a greater impact on BT's profits and share price than anybody else. But there is also a complacent belief that Sir Bryan – notwithstanding Oftel's supposed independence – will not take any action that lowers the company's share price substantially below the level at which the government sells its shares.

Either this complacency is justified – in which case the interests of more than 20m telephone users will be sacrificed to those of perhaps 2m investors; or it is not – in which case investors will buy their shares on the basis of false expectations.

Profitability level

Sir Bryan needs to clarify what he thinks is a reasonable level of profitability for the company. If BT is allowed to continue making a return on capital employed of 23 per cent and to increase its dividends by 10 per cent each year, its shares must look a good buy. But, if the regulator plans to take decisive action to reduce that profitability – which looks excessive – the shares might be expensive.

A valuable feature of the UK's system for regulating privatised utilities is that a price control regime is set for four or five years, so giving the company an incentive to boost efficiency and improve profitability. Nevertheless, Sir Bryan has made clear that the price regime embodies a notion of a reasonable level of profitability. Whether the company then earns more or less depends, as it should, on its efficiency.

New regime

A new price control regime is due to come into effect in June 1993, with work starting on it next year. While not pre-empting the exact shape of the new regime, Sir Bryan should make explicit the criteria to be used. His best approach would be to copy Mr Ian Byatt, Ofwat's director-general, who has issued a consultation paper on the cost of capital in water supply. Ofwat's aim is to put forward an explicit view of what might be acceptable profits for the water companies and then throw it open to discussion. This contrasts with the approach of Sir Bryan, who chooses the figure himself and then keeps it secret.

Sir Bryan should also clarify whether threats he made in July, when he was still locked in a battle with BT over the details of its licence, are still on the agenda. These included splitting the company's local and long-distance operations into separate subsidiaries, carrying out a thorough efficiency audit, forcing it to pay back to customers a proportion of "excess profits" and requiring it to divulge more financial information.

Taking another leaf out of Ofwat's book, Sir Bryan should say how he intends to ensure that customers' bills do not become higher than they need to be if BT's foreign adventures turn into disasters. The matter is urgent because, with BT's investment programme tailing off, the company is expected by stockbrokers Robert Fleming Securities to generate £9bn of surplus cash in the next six years. The cash seems destined for foreign acquisitions, an area where BT has been conspicuously unsuccessful to date.

Sir Bryan should speak out now. If he were to remain silent, he would appear to endorse expectations generated during the share sale and might then lose his ability to speak out in future.

Into the EC swim

EEA is only a half-way house for Efta members, writes Edward Mortimer

"I like the Espace Economique Européen," said Mr Roland Dumas, the French foreign minister, at a press conference a year or two ago, "not least because its initials sound so nice in French: Euh Euh Euh."

It goes almost without saying that anything the French like, the British will be against, and vice versa. Whitehall decided there was something too abstract and high-faluting about an "economic space". It insisted on the more prosaic "European Economic Area" as the name for that thing to be negotiated between the 12 members of the European Community and the six (now seven including Liechtenstein) members of the European Free Trade Association in talks which at last bore fruit early yesterday morning.

Yet Mr Dumas, with his expressive rendition of the way his countrymen continue to emit sound while hesitating in mid-sentence, had perhaps better captured what the EEA (as we must now call it) is really all about. It is a kind of antechamber, in which states that hesitate to take the full plunge into EC membership can pace up and down, enjoying some of the benefits and pondering the implications. But it seems unlikely any will find it comfortable as a permanent abode.

Nor does the EEA offer the EC itself a solution to the problem of its relations with its immediate neighbours as it seemed to when Mr Jacques Delors, the European Commission president, proposed it in early 1989. For the Efta countries are no longer, by a long way, the most problematic neighbours the EC has to deal with. A much thornier task is the definition of a new relationship with the new democracies of central and eastern Europe, whose problem is not hesitations about EC membership but rather impetuosity.

Mr Delors's main aim in suggesting such negotiations was to forestall a string of applications for full membership from Efta countries. He was well aware that the EC's decision to create a single market by removing all obstacles to cross-frontier economic activity had given countries on its periphery a strong incentive to join, since if they remained outside their trade and investment were bound to suffer.

Yet his own priority was to strengthen the existing Community, especially through monetary union, and to give it a clearer political identity on the world stage. He was anxious to avoid getting into a new set of enlargement negotiations at any rate until the key decisions on monetary union were firmly taken; and he feared that by admitting neutral states (which five of the seven Efta members are) the EC would irredeemably mortgage its chances of ever becoming the equal partner of the United States.

It was well known at the time that Austria was preparing to apply for EC membership, and this Mr Delors regarded as especially problematic – not least because of Austria's neutrality, adopted as a permanent state policy in 1955. Austrian neutrality was generally understood to be a key element in the cold war balance, and that Austria would be very unlikely to join the EC if the Soviet Union strongly opposed it.

Austrian leaders by 1989 were asserting confidently, and clearly on the basis of conversations in Moscow, that this would not be a problem. But that did not reassure Mr Delors. Quite the reverse: if Austria were to enter the EC with Mr Mikhail Gorbachev's kind permission, there was a danger that he or his successors would then use its membership to exercise a veto over the EC's subsequent development into a politico-military power.

Mr Delors was also aware that even if Austria did not see its neutrality as incompatible with EC membership, it might be more difficult for Sweden, Finland, and above all Switzerland to take the same view.

It seemed therefore to be both in the EC's interest and in that of the Efta members to offer them a way of joining in the single market without accepting the constraints of EC membership. There was also the thought that the same formula might come in useful for eastern or central European countries, such as Hungary, if they succeeded in converting themselves into market economies and moved towards at least a *de facto* neutrality.

In so far as Mr Delors intended the negotiations as a delaying tactic, enabling the EC to keep candidate members at arm's length while pursuing its internal goals of monetary and political union, they can be judged a partial success. At least he has kept the question of enlargement out of the intergovernmental conferences drawing up a treaty on monetary and political union (which should be signed at Maastricht in December).

But if he hoped that the EEA would provide a permanent alternative to enlarging the Community, he must know that it had already failed, well before the ostensibly successful outcome of the negotiations this week.

Not only did Austria go ahead with its application in July 1989. It has now been followed by Sweden, and Finland is expected to follow suit next spring. If the EC embarks on negotiations with those three countries within two years (as it is almost bound to do), Norway would look very isolated indeed if it decided against joining in; and even the Swiss are now reluctantly asking themselves whether they can afford to remain an island, entirely surrounded by the EC without being part of it.

A third idea which Mr Delors may have had in the back of his mind was that EEA, or the negotiation of it, would serve a useful pedagogic purpose: it would enable the relatively small and prosperous countries which had hitherto hung back from EC membership to learn just why it is better to be in than out, and that there really is no satisfactory half way house. If that was his aim he has succeeded brilliantly, because that is precisely what the negotiations have revealed. The Efta countries have found the only way they can enjoy the benefits of the single market is by adjusting their own rules, standards and specifications to those agreed on by the EC. The EEA offers them a consultation process, but they can be under no illusion that the actual decisions will be taken anywhere else than in the EC Council of Ministers (with such input from the European Parliament as the Maastricht summit may decide).

Thus the EEA is a kind of second-class citizenship, which allows you to be governed by rules you do not make, but does not exempt you from contributing to the cost of helping other people, poorer than yourself, to conform to them. In the end, most people will prefer to be full members, even if it means paying a still higher subscription.

Meanwhile, the argument about neutrality has been transformed. The cold war has ended. Neither Austria nor Finland any longer feels constrained in their foreign policy by the need not to offend the Soviet Union; and even Sweden and Switzerland (whose traditions of neutrality long predate the cold war) are obliged to re-examine the meaning of neutrality in a Europe no longer composed of mutually hostile states or alliances but of countries determined to join together in federal, or at least confederal, structures; and in a world where so many economic, technical and environmental phenomena take no account of national sovereignty or national frontiers.

Nor are the states of central and eastern Europe any longer constrained by Soviet views in their relations with the EC. The Warsaw Pact and Comecon have both dissolved. Their ex-members are determined to integrate as fully as they can with western Europe. The idea that the EEA might provide any kind of solution for them now looks absurd. The point of the EEA is to allow economic integration without insisting on political integration. That looked as if it would suit Efta members, who are economically well placed to compete in the single market but concerned to preserve their national sovereignty or neutrality. By contrast the "new democracies" are all for political integration. It is economic integration, at least in the short term, which poses them real problems.

Thus whatever the outcome of Maastricht, the EC faces two substantial sets of negotiations beginning at the latest in 1993. One will be with Austria, Sweden and whichever other Efta countries have by then joined them in thinking that the EEA is no substitute for full membership (with these could be bracketed Malta and, just conceivably, Cyprus). The other will be with a group of central European countries which will still be far from ready for full membership but to whom convincing transitional arrangements promising it as a final outcome will have to be offered. And that is without even mentioning the most problematic would-me member of all: Turkey.

Turkey at a crossroads

John Murray Brown says political instability lies ahead

"I don't know what gives you the idea this poll is about me," President Turgut Ozal told a reporter on Sunday, after casting his vote in Turkey's general election.

He was joking, of course; the poll was nothing if not a judgment on his eight years in government. And if anything looks likely following the narrow defeat of his Motherland party (Anap), it is that Mr Ozal's central role on Turkey's political stage is about to come to an end.

The election results pave the way for a coalition government. But experiments with coalitions have failed in the past and the search for one now may spark off a constitutional crisis. If a new government is not formed within 45 days, Mr Ozal has the option of sending the country to the polls again. That prospect looks remote at the moment, as Mr Suleyman Demirel's winning True Path party (DYP) has several candidates for an alliance.

For Mr Demirel to consider Anap as a possible coalition partner, it would have to sever its ties with Mr Ozal. Under the constitution Mr Ozal can remain in power until the end of his seven-year term in 1996. But Mr Demirel is determined to strip Mr Ozal of power and return the country to its parliamentary system.

The removal of Mr Ozal would be a watershed in Turkey's relations with the west. Apart from pushing through market-based economic reforms, he gained a reputation as an astute and courageous leader during the Gulf war when he supported the US-led alliance against Iraq.

At home, the picture is different. Mr Ozal's popularity has slipped since the last election in 1987.

The reasons are mainly economic. Strong growth in the 1980s was accompanied by increased foreign debt, which now stands at about $44bn, and spiralling domestic borrowing by the government. Turkey's public sector borrowing requirement is now 11 per cent of gross national product. Inflation is running at 70 per cent on an annual basis. Tackling these problems will require the government to impose a new austerity package – a move Mr Ozal has been reluctant to make.

A more damaging criticism is that as president he has abused his powers by using his office for partisan political purposes and promoting his family's interests. This contributed to Anap's poor showing on Sunday. Its parliamentary majority was halved and the DYP emerged with the largest number of seats.

The task facing Mr Demirel is formidable. Having led several coalitions during the 1960s and 1970s he is aware of the pitfalls. He was ousted on two occasions by a military coup, the last in 1980.

It would be wrong, however, to compare Sunday's election with the political polarisation of the 1960s and 1970s. In many respects this campaign underlined the convergence of economic policies of the three main parties, the third being the Social Democratic Populists (SHP). All three are broadly committed to continue the market-based reforms set in motion by Mr Ozal.

But political differences remain. And the bitter personal rivalry between Mr Demirel and Mr Ozal threatens to delay the implementation of badly needed economic reforms. This enmity can be traced to the 1970s, when Mr Ozal was Mr Demirel's chief economic adviser. When Mr Demirel was cast into the political wilderness after the 1980 coup, it was Mr Ozal who ran the economy under the generals before founding the Motherhood party in 1983.

To force Mr Ozal out, Mr Demirel would need to change the constitution and that would require 300 seats. To provide the necessary 226-seat parliamentary majority Mr Demirel needs just one of the three main parties.

One of his options is to form an alliance with the Islamic-backed Welfare party (RP), which polled 4m votes. But Mr Demirel's supporters are adamantly opposed for two reasons. First, a previous coalition with Turkey's Islamic party in the 1970s proved a disaster and, second, the largely secular DYP politicians would object.

The most likely outcome is for Mr Demirel to form a coalition with the SHP of Mr Erdal Inonu, the physics professor whose father was Turkey's second president in 1938. Both agree on the need for greater democracy, closer attention to human rights and liberal economic reforms.

Where they disagree is over the vexed question of Turkey's 10m Kurds, and how to revive the flagging economy of the eastern provinces, where Kurdish rebels wage an increasingly violent struggle for independence. Mr Demirel is almost certain to demand the removal of the 20 radical Kurdish deputies who have been elected to parliament on the SHP ticket.

Whatever coalition finally emerges, a period of political instability seems unavoidable. If Mr Demirel cannot forge an agreement with the SHP and is forced to turn to the Islamic RP party, this could signal a radical shift in Turkey's relations with the west. In particular it could affect the way the European Commission in Brussels views Turkey's application for membership of the EC. Any coalition which threatens Turkey's western orientation could, moreover, prompt the military to intervene, thus returning the country to political isolation. The next few weeks will prove decisive.

OBSERVER

Probably the best bitter

■ Northern beer drinkers are worrying that the proposed brewing merger between Carlsberg and Allied-Lyons could usurp the dominance of their favourite pint. It's not so much the new Carlsberg-Tetley company they object to but the order of the names.

Tetley is the UK's number one bitter in terms of market share, but it was number one in Yorkshire before anyone cared to share it in the rest of the market.

Barry Pepper, chairman of the British guild of beer writers says: "The name ought to be the other way around." He argues that Carlsberg-Tetley is as much a misnomer as Rolls-Royce and Cammell Laird. In both those companies the men who had their names at the front were the ones with more money than the technical experts who brought up the rear.

Malcolm Wright, corporate and finance director of Allied Breweries, says a lot of thought went into the name which he maintained had nothing to do with the fact that Carlsberg has the lion's share of the deal. "We believe its far more easy and more memorable this way around," he said.

The real victory was Tetley having its own name in the heading instead of Ind Coope or Ansells, its stablemates in the Allied Lyons Group.

The merger will not affect the 900 Tetley pubs in Leeds which will continue to have the monocled huntsman holding his pint outside their doors.

The Campaign For Real Ale, which often complains about the big breweries, wonders whether the merger will mean less competition but Wright is adamant that Carlsberg will retain its free ranging status and will be competing with other lagers in Allied pubs.

Camra harbours a natural dislike for the lagers brewed for the British market. "The Carlsberg and Heineken we drink here are nothing like as strong as they are in their native countries," said spokesman Stephen Cox.

Pepper agrees. He said: "Carlsberg in the UK is brewed in Northampton and not much good ever came out of there. It never had a cricket or football team worth talking about."

According to Camra, real ale is enjoying a revival that has been recognised by the big brewers. "Even Whitbread admit it now," says Pepper. "And they've closed down more breweries than Trueman took wickets." Fiery Fred had 2,304 in his career so Pepper might have been exaggerating.

Protest

■ Latest example of ghastly PR-speak: telephone calls have become "down-the-lines", as in "OK, ya, I'll arrange a couple of down-the-lines with the directors." If the telephone line goes down, presumably your down-the-lines go down-the-tubes. Other examples of similar gobbledygook on a plain postcard please.

Up the creek

■ Jerry Brown, who launched his third bid for the presidency this week, ranks as one of the more eccentric politicians in the US.

After two eventful terms as governor of California between 1974-82, Brown went into spiritual exile, studying Zen Buddhism in Tokyo, mediating in Mexico and working with Mother Teresa in India. Now Brown is back, and he wants the world to take him seriously.

Brown was 34 when he succeeded Ronald Reagan as governor of California in 1974, and he soon drew national attention for his spartan life-style, shunning the governor's mansion and limousine and dating Linda Ronstadt, the rock singer. Many of his unconventional ideas in the 1970s such as expanding protection of the environment, women's rights and helping minorities now appear mainstream, but he still faces a credibility gap.

Brown has promised to limit contributions to his campaign to $100 apiece, a contrast with the past when he raised more than $18m for his two gubernatorial and presidential campaigns. Can Brown really run a serious presidential campaign on so little money? Only he knows. If he survives the early rounds, it is a fair bet that he will follow what he once called the "canoe theory" of politics.

"You paddle a little bit on the left side, a little bit on the right side, then you keep going straight down the middle".

"This is my fifth interval

Dial-a-con

■ Ford Open prison, the celebrity slammer to the rich and famous has had so many incumbents who keep an eye on the financial pages that, unlike other prisons which tend to have underground trades in tobacco and drugs, it can boast more upmarket specialities, according to one of its ex-inmates. An old lag tells me that smuggling saw blades in cakes is old hat. Today it's mobile telephones. He says that well concealed mobile phones are highly prized for carrying out business while in jail. It gives a whole new meaning to insider trading.

Casbah rock

■ Disco-mania is about to sweep Albania. Well, hardly *sweep*, more a kind of shuffle. In a country where such dangerously subversive stuff as rock music was outlawed for many years under communism, it's hardly to be expected that the Sex Pistols will become an overnight sensation.

But residents of the capital, Tirana, and the northern city of Shkrodra, have just decided to follow the lead of the relatively daring town of Saranda, by opening up their own discos. The Tirana nightspot, romantically entitled "Agrin Disco", is a joint venture between the officially-backed Albanian Youth Federation and the Italian company Vacarella, which is spending $38,000 to set the place in motion. But some things move more slowly – only couples will be allowed entry.

Shell shock

■ A couple go to a fancy dress party in Barnsley wearing their everyday clothes. The man was carrying his girlfriend on his back. "I've come as a turtle," he said. The host was about to throw them out when the man protested "I'm a turtle can't you see?". "If you're a turtle who is she?" said the host, pointing to the man's partner. "Well I'm the turtle," said the man, "and this is Michelle".

Little cheer for customers

Philip Rawstorne examines the Allied-Lyons/Carlsberg venture

Yesterday's £610m merger of the UK brewing operations of Allied-Lyons and Carlsberg is a further step along the road leading inexorably towards fewer brewers, fewer breweries, and fewer pubs.

For beer consumers, the benefits of increased choice and lower prices that the Monopolies and Mergers Commission expected to flow from its shake-up of the industry seems as elusive as ever.

The MMC envisaged in its 1989 report on the industry the break-up of the complex monopoly in which the national brewers also ran their own large estates of pubs. By forcing the brewers to free thousands of their pubs from tied beer supplies – whereby pubs buy exclusively from single brewers – the MMC hoped to bring more independent retailers into the pub trade.

However, the trend towards the large-scale production efficiencies required to maintain a competitive position in the new market conditions has already resulted in:

- the Grand Metropolitan/Courage breweries-for-pubs swap in February when Grand-Met transferred its brewing business to Courage and the two merged their pubs into a joint venture company;
- a decision by three regional brewers – Boddington, Greenall Whitley and Devenish – to quit beer production and concentrate on running pubs.

The new joint venture – to be known as Carlsberg-Tetley – will further consolidate the brewing industry. The merged company will control some 18 per cent of the market, putting it in third place behind Courage with 20 per cent and Bass with 23 per cent.

The merger will also bring substantial benefits in production and distribution for the two companies. Carlsberg-Tetley will brew and sell about 7.5m barrels of ales and lagers a year. Some rationalisation of the two distribution and wholesaling networks is to be expected, and the chances are that the closure of one of Allied's six breweries may follow.

The immediate question is whether the new entity will run into trouble with the competition authorities. Both the UK Office of Fair Trading and the European Community's Mergers Task Force were given advance notification of the deal and are being supplied with details of the arrangement.

Mr Roy Moss, chairman of Allied's brewing division, said yesterday: "We are very confident that the joint venture will be approved. It does not raise any greater questions of market competition than that of the GrandMet/Courage deal" (which was referred to and approved by the MMC).

The new venture should also raise fewer concerns than the earlier GrandMet deal about maintaining tied beer supplies, Mr Moss suggested. This is because Allied has now sold or leased 1,400 of the 2,400 pubs it was required to free by the government following the MMC report. Carlsberg did not own any pubs.

Even so, the reaction of the authorities is still unpredictable. When he gave approval to the GrandMet-Courage deal, Mr Peter Lilley, UK trade and industry secretary, warned that it did not necessarily mean that he would take the same view about further consolidation moves.

"I must consider each case on its merits," Mr Lilley said at the time, "and the greater the degree of existing concentration in the industry, the more reluctant I will be to allow further increases in market share to take place by acquisition."

If the Carlsberg/Allied merger goes through, it will inevitably increase the pressure on Whitbread, with 13 per cent of the market, and Scottish & Newcastle, with 11.5 per cent, to seek similar deals to strengthen their positions. In the past, Whitbread had been mentioned as a possible partner for Allied; and Scottish & Newcastle had been speculatively linked with Carlsberg.

Whatever the Whitehall or Brussels judgment about the effects of the Carlsberg/Allied merger – which attracted criticism from Labour yesterday – the City gave a unanimous welcome to the move.

Allied, which at present holds a 14.5 per cent share of the UK market, will move closer to the 20 per cent share which it considers vital to maintain its competitiveness, as more pubs are freed from exclusive supply arrangements. Mr John Spicer, analyst at SG Warburg, the merchant bank, estimates that tied beer supplies by national brewers to their pubs accounted for 42 per cent of the turnover of national brewers last year. By 1998, he predicts, that proportion will fall to 19 per cent.

The addition of the Carlsberg and Tuborg lager brands to Allied's range of beers, which already include Tetley, the best-selling bitter, Castlemaine, Swan and Lowenbrau, will greatly strengthen the portfolio that the new company will sell in the freer and changing market. There may also be opportunities for the development of some Allied brands alongside Carlsberg in export markets. Allied, with a brewery in the Netherlands producing Skol lager, is the only UK brewer with overseas production capacity.

Allied's dependence on Castlemaine, its most popular brand which it brews under licence, will be reduced when its contract to brew the lager expires at the end of the decade. Allied has been trying to buy the European rights to the Castlemaine brand, sales of which it has built to a leading position in the UK.

The new venture will also sell and distribute the full range of Allied's spirits, wines and soft drinks – including Beefeater gin.

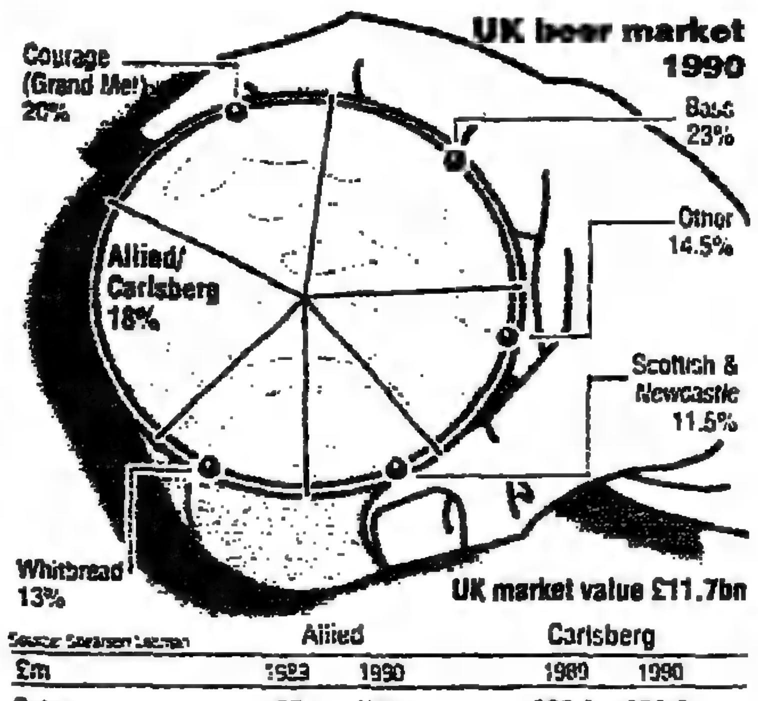
In addition, the merger should reduce the threat of takeover that has hung over Allied since the disclosure earlier this year of Allied's £147m loss in foreign exchange dealings. Carlsberg will be given the option, in any bid for Allied, to acquire the UK group's 50 per cent share in the joint venture. The deal helps Allied's new management – installed after the foreign exchange fiasco – to restore the company's reputation in the City. The merger removes £135m of debt from Allied's books.

For the Copenhagen-based Carlsberg, Europe's third largest brewer, the deal consolidates its position in the UK, which provides about half of its profits of £85m in 1990.

Fifteen per cent of Carlsberg's worldwide sales are in the UK, where it holds a market share of between 4-5 per cent.

The Danish company recently signed a 10-year agreement for Courage to continue brewing Carlsberg and also agreed a five-year deal for its distribution in the take-home trade. With access, for the first time, now to Allied's 4,500 pubs Carlsberg gains a more assured place in the market.

The Allied/Carlsberg partnership should ensure a place for both companies in an industry which many observers believe will be almost totally dominated by three or four groups by 2000.



£m	Allied 1989	Allied 1990	Carlsberg 1989	Carlsberg 1990
Sales	1571	1764	223.6	233.6
Operating profit	203	232	39.8	43.7

Source: Shearson Lehman

The benefits of increased choice and lower prices seem as elusive as ever

Robert Mauthner

Sounds signifying little

The Commonwealth has yet to enforce its declarations for promoting wider human rights

FOREIGN AFFAIRS

"The smoke that thunders" is how the Victoria Falls are known by the local population. It is a phrase that could equally well have been applied to the outcome of the Commonwealth conference, whose leaders spent an idyllic weekend at the Falls drafting a declaration of principles to guide the Commonwealth into the next century.

Though the thunder the leaders produced in Harare was of a different kind than at most Commonwealth conferences over the past decade, the smoke was all too familiar. It enveloped both the final declarations in a comforting blanket of consensual rhetoric which gave little hint of the underlying debate.

Certainly, the Harare conference marked a turning point in some important respects. The absence of Mrs Margaret Thatcher and the progress that has been made towards the abolition of apartheid in South Africa helped to create a more friendly and constructive atmosphere. South Africa no longer dominated the proceedings to the same extent as before and leaders had a real opportunity to turn their attention to other pressing problems.

Mr John Major, attending his first Commonwealth conference as prime minister, made one of the most significant contributions to this new climate. He charmed the other leaders with his straightforward and friendly style, impressed them with his sympathy for the problems of developing countries and did much to re-establish Britain as the natural leader of an organisation made up of nearly 50 of its former colonies.

The prime minister's decision to implement the Trinidad debt forgiveness terms unilaterally, together with like-minded nations such as Canada, gave him a strong moral platform from which to launch his crusade for democracy and human rights within the Commonwealth. Yet it was only partially successful, resulting in much thunder and little action.

So what went wrong, after all the fine sentiments about implementing the organisation's frequently proclaimed, but widely neglected democratic and human rights principles? Why do the concluding documents lack the teeth the British and Canadians were so anxious to give the Commonwealth.

The answer lies in the obsession with consensus which seems to imbue all member governments and prevents them taking any decisions except unanimously – a guarantee of blandness, given the Commonwealth's large membership – and in the inherent conflict between the interests and values of governments in the developed and developing world.

For the latter, economic development and aid are far more important than democratic principles or conservation of the environment. For the former, democracy and human freedoms must not take a back seat. Countries such as Canada and Britain have made it clear that their aid policies will be firmly linked to respect for these principles in the recipient countries, whatever the tortuous consensual language of the final declarations.

Admittedly, there is a sense in which the debate is unrealistic. Why should recently independent countries with social structures, customs and traditions very different from those of the west be expected to adopt Westminster-style parliamentary practices and human rights standards alien to their own cultures?

It is a point often made not only by countries such as Malaysia and Kenya, whose human rights records leave much to be desired, but also by India which prides itself on being the biggest democracy in the world. An additional argument is that aid should be dependent on the needs of people, not tied to the particular characteristics of the political systems under which they live.

Neither argument is entirely without merit. But the replies of the donor countries are even more telling. No one can force them to sink aid money into countries with political systems inimical to their own values and subject to corrupt practices which prevent aid from being used for the benefit of the population as a whole. Moreover, the global trend, after the collapse of communism, is generally towards greater democracy and individual freedom, even in countries which have not subscribed to these principles before.

Thus, even the most recalcitrant Commonwealth countries in Africa and Asia are obliged to take note of this wind of change, particularly since they can no longer turn to the Soviet Union. They cannot continue to sound off about human rights in South Africa, as they did about sanctions, without beginning to practise what they preach in their own countries. Some are beginning to discard one-party systems and to allow more freedom of expression.

But there is a pervading air of reluctance about the whole process, not to say insincerity in subscribing to declarations which some African and Asian nations often have no intention of enforcing. As one head of government was overheard to say cynically: "It's only a bit of paper after all." And these bits of paper which the leaders spent nearly a week drawing up do not provide for any effective mechanism for enforcing the principles to which the Commonwealth has repeatedly subscribed. They were first proclaimed in detail 20 years ago in the Singapore Declaration, adopted in a country which has since been conspicuous for failing to apply them.

Why, after all that has been said about turning the Commonwealth into a more effective organisation, have no steps been taken to set up a permanent mechanism, not only to monitor human rights as already exists, but to recommend sanctions against violators?

The dog-eared answer to this question is that it would be tantamount to interference in the internal affairs of member countries and that that is contrary to the organisation's principles. It is a response that begs the very question which the heads of government set themselves: how to improve the organisation.

Chief Emeka Anyaoku, the Commonwealth secretary-general, can only do so much. He can switch resources from one activity to another and he has been given about £200,000 by Canada specifically to promote human rights and democracy. But he is no more than an official at the bidding of member governments, and the political mandate for setting up enforcement machinery has not been given.

So the Commonwealth enters its much-heralded new era fundamentally in the same state as it left the last one. True, the atmosphere has changed and Britain has come back to the bosom of the family. To the already useful work it does in technological training in the poorer countries has been added a new facility to train black administrators for post-apartheid South Africa.

Commonwealth leaders continue to issue worthy declarations on democracy, the need to preserve open trading systems, the urgency of completing the Uruguay round of trade negotiations and the protection of the environment.

Yet it would be an illusion to believe that, in spite of all the publicity about a new look, the Commonwealth will ever have a real cutting edge on the international stage. To proclaim broad common objectives for conferences such as next year's United Nations Conference on Environment and Development is one thing. It is quite another to co-ordinate member countries' policies for the conference effectively, and few people think that will be seriously attempted.

Programmes to implement principles and objectives are needed. "The smoke that thunders" must be followed by lightning if the Commonwealth ever wants to be taken seriously.

No one can force donor countries to sink aid money into countries with political systems inimical to their own values

LETTERS

Conflict of interests that hit UK manufacturing

From Mr Graham Vance.

Sir, Your articles yesterday on the Confederation of British Industry report on manufacturing ("CBI hits out at lack of support for manufacturing") and on Rolls-Royce ("Engine trouble stalls Rolls-Royce") omit the arguments concerning the conflict between the shareholders' interests and the national interest.

I refer to British Airways' decision not to purchase Rolls-Royce engines, which will deprive the UK company of the future sales needed to continue its long-term strategic developments. British Airways' argument that it is acting in the shareholders' interest by buying General Electric engines is no doubt true because of the very favourable package provided by the American company. However, that decision has cost Rolls-Royce the prestige attached to supplying engines to its own national carrier. It has also probably provided All Nippon Airways with a good excuse not to buy Rolls-Royce engines, enabling Japan to further reduce its trade surplus with the US by buying American engines. I doubt you will ever find Air France not supporting the French aero-engine industry.

In the US and the UK, the shareholder comes first and the country second. This is different from Japan, Germany and France. As Britain's industrial base continues to decline, why do we keep thinking our free market strategies are totally right and that we have nothing to learn from other more successful economies? British Airways may well have had a political axe to grind because of the lack of government support for its own industry. Maybe the government should learn that neither total intervention nor total free markets are the best, but that those economies which operate in the middle of these extremes tend to be the most successful.

Graham Vance,
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Is energy department throwing good money after bad?

From Mr P S Harris.

Sir, Mr Wakeham has announced an initiative to heighten awareness of energy efficiency at the highest levels of industry, a £1m advertising campaign and a programme for small businesses (FT Survey, Energy Efficiency, October 16). This must raise the issue of whether his department is just throwing good money after bad.

Energy awareness has been an issue since the first oil crisis in 1974. I doubt that senior management are unaware of the need for energy efficiency; they are not convinced it is worth their time.

It is a mark of how important the government ranks energy efficiency that they have downgraded the job. I note that the present incumbent, David Heathcoat Amery, is only a parliamentary under-secretary of state. This area of responsibility was previously given to a minister of state.

Between 1982 and 1989 the Energy Efficiency Office spent £19.7m (Hansard, July 10 1989) on advertising (16 per cent of its budget). It has also circulated about 3,000 tonnes of literature and run some hundreds of meetings. If this has failed, it is difficult to see what it can achieve with another £1m on advertising.

Mr Peter Morrison, previous minister of state, abandoned subsidies for energy audits (surveys) in 1988 because (Hansard January 22 1988) "consumers are now well aware of the case for energy efficiency...the Energy Efficiency Office's aims will be to run specific and targeted services backed by technical support" and on June 9 1991 (EEO press release) "there would be wide public appreciation of the value of energy surveys and grants for this purpose are no longer justified".

So why is it being resurrected? The inescapable conclusion is that the Department of Energy has run out of ideas.

P S Harris,
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Cambridge*

Duty to encourage house buying

From Mr Roland Freeman.

Sir, It is said that the Treasury is concerned about the failure of the domestic housing market to pick up, but that it will not contemplate significant further reductions in interest rates owing to exchange rate mechanism constraints.

There is, however, a more direct way of encouraging demand for house purchase. At present, stamp duty starts at £30,000, which affects most house buyers. Why not raise the starting level to, say, £150,000 as an incentive to first-time buyers for whom every extra cost matters?

It does seem odd that a government that is committed to the principle of wider home ownership should continue to impose a tax on those who embark upon it.

Roland Freeman,
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Labour's relations with the City

From Mr Deryck Buckley.

Sir, David Kynaston's account (Weekend FT, October 19) of relations between the City and past Labour administrations fails to answer the question about what happens in 1992 if Labour scrapes home.

It is important to look at the differences since Labour was last in power, Britain's links with Europe should discourage excesses. Now that we have no exchange control, funds can easily emigrate. But the party cannot afford extravagant spending plans and I would expect to see great efforts made to calm these and other fears. Some friction between Labour and the City is inevitable but as before they would have to live with each other.

Deryck Buckley,
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Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Benefits of deep-discounted rights if inequitable tax were removed

From Mr L J Easterbrook.

Sir, Mr Hugh Jenkins (Letters, October 17) touches on the deep-discounted rights problem when he refers to the Inland Revenue's gains tax rule for sales exceeding 5 per cent of the total. However, he fails to appreciate the benefits of deep-discounting should this arbitrary and inequitable rule be removed.

The principle at issue is whether investors should be forced to make a taxable gain if they choose not to take up the shares offered to them in a rights issue. In overall terms (shares retained and sold) there is no gain because the value of the old shares is adjusted downwards and offsets the sale proceeds of the new shares over and above their issue price; indeed, on this basis, dealing expenses and a share price depressed by the issue almost inevitably entails a short-term loss.

Because of the involuntary nature of the sale, the equitable procedure would be to ignore the notional profit made on selling rights shares and allow it to be deducted for gains tax purposes from the cost of the remaining investment. To raise the Inland Revenue's 5 per cent allowance would merely replace one arbitrary figure with another.

Without any such tax restrictions, capital-raising would be much easier (surely of benefit to the economy and the stock market) and companies would be free to issue shares at whatever price suited them (over and above that other nonsense, the par value). The deeper the discount, the larger the so-called scrip element, a feature Mr Jenkins seems to think "well regarded" companies would want to keep to a minimum; why should they not sometimes wish to undertake a dual-purpose operation which raises cash and reduces what they may consider to be too "heavy" a share price?

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FINANCIAL TIMES
Wednesday October 23 1991

Move to dispel impression that government is intimidated by farmers' protests

Mitterrand asks police to restore order

By **Ian Davidson** in Paris

MR François Mitterrand, the French president, yesterday finally lost patience with the uninterrupted outbreaks of violent demonstrations by angry farmers and called on the police to restore law and order.

In an attempt to dispel the impression that the government is intimidated by the demonstrations, Mr Mitterrand appeared to tone down Monday's instruction from the prime minister's office that no ministers were to travel without prior authorisation.

He said ministers must be free to go wherever they needed to. "I want ministers to go wherever duty calls. The prime minister will exercise control, but from now on, ministers will go about their work in France. There shall be no forbidden areas for ministers, nor for anybody else for that matter."

The farmers' protests have been by far the most violent of a series of industrial demonstrations, which have included marches by the nurses and will peak tomorrow in a public service strike.

Mr Mitterrand warned the farmers that their protests would not secure significant concessions either from the government or from the European Community, and he implied that most of them do not deserve special treatment.

"*It is not acceptable* that gangs continue to burn, to strike, to destroy and to break. From now on, those who are responsible for order, police, gendarmerie and justice, must do their duty," he told a radio interviewer.

Two weeks ago, after a very large and entirely peaceful protest march in Paris, the government allocated an extra FFr1.27bn ($220m) aid for the livestock producers who have been especially hard-pressed by falling prices.

The concession failed to satisfy the farmers, not least because they hoped to deter the government from compromising with the European Commission's proposals for deep price cuts as part of a radical reform of the common agricultural policy. Their *threats have failed, however*, because Mr Louis Mermaz, the farm minister, this week in Brussels acquiesced in the principle of reform, provided its application is softened and extended over time.

Scarcely a day passes without one or more relatively violent demonstrations in rural towns, mainly in the west and south-west, and on many occasions ministers have been intimidated or obstructed.

President Mitterrand disavowed any desire "to get into a head-on conflict with people who are mostly fine folk, good professionals, good Frenchmen". But he implied that the violence was mainly the work of a small minority of activists; this is consistent with independent reports that some of the incidents have been stirred up by members of the extreme rightwing National Front.

Conceding that the livestock *producers were in difficulties*, Mr Mitterrand asserted that the incomes of most farmers had made reasonable progress, and in some cases large gains. But in any case he made it clear there was a strict limit to new government hand-outs.

The government "has already given substantial credits allocated or various kinds. Do you know how much public money or social transfers go to agriculture? About FFr153bn or FFr154bn. *There is a moment* when that must stop."

Farmers attack the local headquarters of the tax authorities during protests in Bourges, central France

G7 accused over Amazon project

By **Christina Lamb** in Rio de Janeiro

BRAZIL'S president Fernando Collor de Mello has sent an angry letter to the Group of Seven leading industrialised nations accusing them of back-tracking on promises to invest $1.5bn over the next five years to conserve the Amazon rainforest.

Known as the Pilot Programme for the Protection of Tropical Forests, this was to be the world's largest environment project, and the first time that the developing and industrialised worlds had co-operated on a large-scale environmental project.

Arising from a German initiative at the Houston summit last year, an ambitious programme was drawn up by the Brazilian government along with the World Bank and the EC. Backing was given to the project in July at the G7 summit in London, and it was expected to be the centrepiece of the World Environment Conference to be held in Rio next June.

However, since then no money has been forthcoming. Mr Marcos Azambuja, Brazil's deputy foreign minister, said: "Initially we were supposed to get $250m this year, then it was reduced to $120m and now they're talking of $50m, which is a minute amount in the Amazon."

G7 diplomats in Brasilia yesterday criticised Brazil's preparatory work. One said it was "like solving the Amazon problem on the back of an envelope", adding that "no one wants to hand over money to Brazil with its reputation".

In the letter to the seven leaders, Mr Collor complained: "The Brazilian government is ready to implement the project immediately. I cannot refrain from showing my concern over the lack of urgency that the G7 is giving to this matter."

To reinforce Brazil's complaints, Mr Azambuja has met the ambassadors of each of the seven countries. He said he believed the G7 had lost interest: "We're very disappointed. The feeling was that this was a test for Brazil to co-operate on a big scale with the G7 and the world community. Yet at every stage the project has become smaller, lost momentum and vitality."

"We feel now that the first world's supposed commitment to the environment is just rhetoric."

Mr Collor is particularly angry because he took a considerable risk in accepting the blueprint, which represents a turnround in Brazilian environmental policy, declaring that Brazil would for the first time allow *debt-for-nature* swaps. His government has had to face a wave of allegations that it is allowing the "internationalisation of the Amazon".

The German Chancellor, Helmut Kohl, arrived in Brazil yesterday and is expected to be confronted by Mr Collor on this topic.

Asil Nadir accused of stealing £130m

By **David Barchard**

MR ASIL NADIR, the chairman and chief executive of Polly Peck International, the collapsed British fruit and electronic group, appeared in *Bow Street Magistrates Court*, London, yesterday charged with 58 new counts of theft totalling just under £130m ($224m).

Mr Nadir denied all the charges.

The funds involved in the new charges against Mr Nadir dwarf those brought so far in the other UK prosecutions by *the Serious Fraud Office*.

In the Barlow Clowes trial, the defendants face charges of defrauding investors of £16.9m while in the first Guinness trial, a total of £20.3m was involved.

Mr Nadir already faces 18 charges of theft and false accounting totalling £25m brought against him last *December. These were* described at the time as sample charges.

Mr Nadir was charged yesterday morning at Holborn police station and kept in custody until he appeared before the magistrate, Sir David Hopkin, who remanded him on bail until November 7 when the case is due to be transferred to the Crown Court.

Because of the length of time the charges took to read out, Mr Nadir was allowed to remain sitting.

The new charges relate to the alleged theft of amounts varying between £91,500 and £5.5m from Polly Peck International between August 14 1987 and August 7 1990.

A statement later *read out* to journalists by Mr Peter Knight of Vizards, a solicitor acting for Mr Nadir, said that the SFO's charges involved "a narrow and technical issue of inter-company transfers."

"These additional charges do not raise any new issues," he said. "It was inevitable that these new charges would be brought if the SFO were to persist in its prosecution. What is interesting is that these charges are confined to theft from the holding company of PPI."

Mr Knight said Mr Nadir contended that there was no evidence of any money stolen from the PPI group as a whole and that he had furnished evidence to the SFO to support his contention.

BCCI 'made payments to Gandhi family'

By **Alan Friedman** in Washington

THE collapsed Bank of Credit and Commerce International made payments to the family of Mrs Indira Gandhi, to relatives of General Zia of Pakistan and to leading Zimbabwe politicians, according to testimony given in the US Senate yesterday.

Mr Abdur Sakhia, former general manager of BCCI's US operations, alleged that the purpose of the payments – which took the form of cash, the hiring of relatives, subsidised loans or donations to favourite charities – was "to buy relationships and to buy influence".

The Senate foreign relations subcommittee also released documents that showed a 1986 loan of B$400,000 (US$200,000) by the BCCI's Barbados operation to the local office of Price Waterhouse, the bank's sole auditor from 1987.

A second loan from BCCI to Price Waterhouse – for B$197,000, at an interest rate of 10 per cent – was approved in July 1987, according to the bank's documents. These also state the loan was backed by personal guarantees of Price Waterhouse partners.

Price Waterhouse said last night that the Barbadian loan was a normal one on normal terms taken to refurbish the upper floors of its office block.

It denied that Price Waterhouse had audited the BCCI branch in Barbados and said it was perfectly satisfied that the loan was a legitimate business deal within its normal rules and that it was not embarrassed by it.

During several hours of testimony before the subcommittee investigating BCCI, Mr Sakhia accused Price Waterhouse of having had "primary if not sole responsibility" for the failure to detect fraud at BCCI. Mr Sakhia alleged that Price Waterhouse had been negligent and incompetent.

Last night the firm said: "The primary responsibility for detecting fraud is a matter for management not the auditors."

Mr Sakhia also alleged that the Bank of England had known of wrongdoing at BCCI for many years, but failed to act.

Mr Sakhia, who resigned from the bank in 1990, said he had personal knowledge of payments to Zimbabwe politicians in London during the Lancaster House negotiations on Zimbabwe's independence.

He said the payments to the families of Mrs Gandhi and Gen Zia were handled by Mr Aga Hasan Abedi, the founder of BCCI, who was indicted in the US in July on fraud charges.

He also revealed that in 1984 Mr Abedi set up a co-ordinating committee that handled joint marketing for BCCI as well as First American Bank of Washington and the National Bank of Georgia. The latter two, according to the Federal Reserve, were secretly controlled by BCCI.

Mr Clark Clifford and Mr Robert Altman, who resigned as chairman and first president of First American two months ago, have repeatedly denied having had any knowledge of BCCI's secret control of the Washington bank.

Mr Sakhia, however, said that as BCCI's senior officer in the US he had a direct relationship with First American.

Palestinians name delegates to peace talks

Continued from Page 1

are from the West Bank and four from the Gaza Strip.

At least one, Dr Nabil Jaabari, has a residence in Jerusalem but is chiefly associated with the West Bank town of Hebron. Another delegate, West Bank businessman Sameh Kanaan, has a Jewish mother.

Apart from Mr Husseini, the six "advisers" include Mrs Hanan Ashrawi and Prof Sari Nusseibeh, all from Jerusalem and regarded by *the Israelis* as being overtly tied to the PLO. Three others are residents of the territories currently living abroad.

Mr Shamir told the European parliament that he did not rule out progress in the Madrid talks, but on condition that the Arab participants understood that "this is a process of negotiations between equals, and that Israel will come to the table with its own position, its own interpretations and its own claims."

Mr Shamir also repeated Israel's rejection of a land-for-peace deal. "We *must negotiate* on peace", he said, "and after, we will explain about land".

More details of the mechanics of the talks emerged yesterday as the US and Soviet Union prepared to name senior representatives to the conference, which they are co-sponsoring.

The envoys are expected to steer the first phase of the conference. US officials said yesterday the appointments were designed to show that the sponsors were committed to negotiations over the long haul.

Soviet officials said it was possible that Mr Boris Pankin, the foreign minister, might represent the Soviet Union at the talks.

The Washington Post reported that Mr Richard Armitage, who recently served as special negotiator on the US military bases in the Philippines, was a leading candidate for the American job.

Mr Armitage, a former high-ranking Pentagon official, has already served as a behind-the-scenes negotiator on water rights which are being held informally between representatives *of Israel, Jordan and* Syria.

THE LEX COLUMN

Brewers in the snug bar

Yesterday's deal between Allied-Lyons and Carlsberg is a vivid illustration of the splendours of UK competition policy. When the Monopolies and Mergers Commission reported on the brewing industry in March 1989, the combined market share of the UK's three biggest brewers was 47 per cent. It is now 62 per cent and rising. The deal also illustrates what a desirable business UK brewing has become. Less than a fifth of Carlsberg's worldwide output is brewed in the UK. But the UK, we were reminded yesterday, produces over half of Carlsberg's worldwide profit.

From the viewpoint of *Allied-Lyons' shareholders*, the deal has undeniable attractions. Allied adds Carlsberg and Tuborg to the tied beers sold through its pubs, gets half the profit of the new, enlarged operation and receives £135m cash on top. If nothing else, this means the management has recouped almost all the sum lost on foreign exchange under the old regime. Above all, as the new chairman remarked yesterday, it gives Allied critical mass in producing beer for the supposedly more competitive UK market.

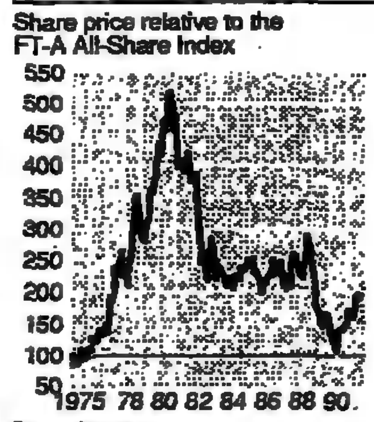
This brings us back to the competition authorities, who are under an obligation to police the new industry structure which they have brought about. The deal not only creates a new brewing entity with around a fifth of the market; it also commits the bulk of Carlsberg's production to Allied's pubs, thus apparently increasing the degree of vertical integration in the industry. But the competition authorities seem to have lost the initiative, as illustrated by the fact that they must now choose between an industry dominated by two players – Bass and Courage – and an industry dominated by three.

If the deal is allowed, it plainly puts pressure on the smaller brewers, notably Whitbread and Scottish & Newcastle. But in an industry as chaotic as UK brewing, there may be other deals to come. Nor is it clear that the Allied/Carlsberg alliance need be set in stone. Any bidder for Allied might previously have puzzled over what to do with the brewing business. The answer has now been supplied.

FT-SE Index: 2,559.5 (-16.2)

De La Rue

Share price relative to the FT-A All-Share Index



Source: Datastream

UK economy

Yesterday's trade figures for September confirmed what the market already suspected: the second quarter marked the bottom of the recession, but recovery in the third quarter is barely worthy of the name. Not much new in that, so sterling scarcely moved. The 1.5 per cent quarterly volume growth in imports was consistent with the slight pick-up in retail sales over the same period. Optimists can draw a little comfort from the fact that although exports are falling, they are coming off a strong peak. Subject only to industrial production for September – and those figures are still being compiled – the third quarter probably saw very modest economic growth. It is a measure of the government's present discomfort that it will doubtless seize on this as proof of good stewardship.

EC/Efta

The European Economic Area, or EEA, was not exactly tripping off traders' tongues yesterday. Stockholm was up a touch on news from Luxembourg that the jumbo trade bloc will be open for business in 1993. Oslo was more concerned about new banking wobbles in the wake of Den Norske Bank's dreadful results, and Zurich by a Moody's threat to downgrade Credit Suisse's Triple A debt.

Such stock market insouciance towards an historic accord is understandable in view of the way individual countries of the European Free Trade Association have recently recast their attitudes towards Brussels. The fact that Sweden and Austria have both lodged formal applications for European Community membership certainly makes the EEA *look a less interesting staging* post compared with the final destination. In the long term this may be true; but the date on which full EC trade freedoms will apply to Efta has now been significantly advanced. That may not make much difference to Sweden, which was planning to be ready by 1993 in any case, but the quick timetable should be good news for Finland's export led but currently hugely depressed economy. Norway has less to gain and more to lose from closer integration.

Perhaps the most interesting implication for equity investors is the way the EEA will speed up moves to abandon Scandinavian restrictions on foreign share ownership. Nordic countries currently account for about 6.6 per cent of Europe's stock market capitalisation. But as the proportion of free *shares rises, that figure is likely to double by the mid* 1990s. Swedish turnover should also grow through keener international demand and government incentives to attract more domestic investors.

De La Rue

A £160m rights issue might seem a touch unnecessary for a debt-free company wanting to make an agreed £95m acquisition. But the cash call is a measure of how things have changed at De La Rue. Two years ago it was labelled a prime takeover candidate, with a string of loss-making subsidiaries testifying to a decade of misdirection. Now management has slimmed the group down to two businesses covering security printing and payments systems. It wants the extra money to pursue other quarry once it has finished digesting the Swedish manufacturer of cash-handling machines, Inter Innovation.

While the printing of bank notes is a relatively mature business, providing banks with machines which do away with the physical handling of cash by hordes of back-office staff is in its infancy. By acquiring a market leader on an exit multiple of just 14, De La Rue is making a sensible bet. If shareholders need further inducement to take up their rights, a promise that the acquisition will immediately enhance earnings and a pledge to increase the final dividend on the enlarged share capital by at least 9 per cent should do the trick.

Yesterday's six-month results suggest De La Rue's main businesses are performing well enough to justify its *strategy – a 15 per cent* increase in earnings and an 8 per cent rise in the interim dividend. Judging by the mild reaction of the share price yesterday, this is one rights issue which will not be left with the underwriters.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	18	64	Berlin	S	9	48	Caracas	C	28	82	Faro	S	19	66	Islamabad	F	28	82
Algiers	F	19	66	Biarritz	C	12	54	Casablanca	F	19	66	Florence	S	13	55	Istanbul	S	22	72
Amsterdam	C	13	55	Bombay	S	35	95	Chicago	F	14	57	Frankfurt	F	8	46	Jakarta	R	34	93
Athens	F	24	75	Bordeaux	F	11	52	Cologne	F	9	48	Geneva	F	7	45	Jersey	S	13	55
Bahrain	–	–	–	Boulogne	S	12	54	Copenhagen	F	10	50	Gibraltar	C	17	63	Johannesburg	S	25	77
Bangkok	C	31	88	Brussels	F	10	50	Corfu	F	21	70	Glasgow	C	8	46	Lima	C	20	68
Barcelona	S	14	57	Budapest	R	7	45	Dallas	S	18	64	Helsinki	R	4	39	Lisbon	S	15	59
Beirut	[illegible]	[illegible]	[illegible]	Buenos Aires	[illegible]	[illegible]	[illegible]	Dubrovnik	[illegible]	[illegible]	[illegible]	Hong Kong	[illegible]	[illegible]	[illegible]	London	[illegible]	[illegible]	[illegible]
Belgrade	[illegible]	[illegible]	[illegible]	Cape Town	[illegible]	[illegible]	[illegible]	Edinburgh	C	[illegible]	[illegible]	Inverness	[illegible]	[illegible]	[illegible]	Luxembourg	[illegible]	[illegible]	[illegible]

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	22	72	Milan	F	12	54	Nicosia	S	28	82	Salzburg	C	5	41	Tenerife	F	24	75
Madrid	S	11	52	Montreal	C	9	48	Oporto	S	15	59	San Francisco	C	16	61	Tokyo	C	21	70
Majorca	S	15	59	Moscow	C	5	41	Oslo	S	6	43	Seoul	S	15	59	Toronto	C	7	45
Malaga	F	18	64	Munich	F	5	41	Paris	F	11	52	Singapore	S	31	88	Tunis	F	20	68
Malta	S	22	72	Nairobi	F	25	77	Peking	S	17	63	Stockholm	F	6	43	Valencia	F	14	57
Manchester	F	10	50	Naples	R	19	66	Prague	F	7	45	Strasbourg	C	9	48	Venice	F	13	55
Manila	F	30	86	Nassau	F	31	88	Reykjavik	F	7	45	Sydney	C	18	65	Vienna	F	6	43
Mexico City	[illegible]	[illegible]	[illegible]	New Delhi	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	[illegible]	[illegible]	Taipei	F	24	75	Warsaw	C	4	39
Miami	[illegible]	[illegible]	[illegible]	New York	[illegible]	[illegible]	[illegible]	Rio de Janeiro	[illegible]	[illegible]	[illegible]	Tel Aviv	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	[illegible]	[illegible]

Temperatures at midday yesterday C=Cloudy Dr=Drizzle F=Fair Fg=Fog H=Hail R=Rain S=Sunny Sl=Sleet Sn=Snow T=Thunder

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INSIDE

Channel tunnel groups hit back

British and French construction companies building the Channel tunnel will today seek to rebut accusations that they, rather than Eurotunnel, are financially responsible for most of the huge rise in the project's cost. The 10 companies will hold a press conference in Paris to state their case in the increasingly bitter dispute over costs with the project's operators. Page 27

Madrid dealers drip success

In Mr Carmelo Lacaci's office in Madrid, is a room full of dealers and salespeople barking into telephones and checking screens. The atmosphere drips with confidence and success. He is a founding partner in Banesto, Lombardia & Lacaci, one of the big five broking houses in Madrid and one of the chief beneficiaries of the profound reform imposed on a fearful and resentful stock market in the summer of 1989 by the Spanish government. Page 25

Bank injects equity into US arm

Hongkong Bank has injected US$200m in common equity into its troubled US subsidiary Marine Midland Banks, following the New York state-based bank's sixth successive quarterly loss. Page 22

Lessons in mangoes

Mangoes have been described as the fruit trade's next avocado, a fruit which has moved off the western shopper's "exotic" list to be commonplace. But fragmentation has made it difficult to promote mangoes to the consumer – there are more than 1,000 varieties and fruit has appeared on shop shelves in many different shapes, sizes and colours. This leads to difficulties in consumer education. Page 34

Purchase lifts Northern Telecom

Northern Telecom's acquisition of STC of the UK this year has offset the slump in North American business to push the Canadian telecommunications equipment maker to record sales, earnings and orders in the third quarter. Page 21

Painful art of competition

The South Korean government's desire to create a more efficient financial system – after decades of tight control – means commercial banks face the difficult task of learning the simple but painful art of competition. With the focus on cutting costs, managing bad debts, and expanding into new product areas, the banks also have to counter a new offensive by foreign institutions. Page 22

Meteoric rise and fall

A meteoric rise followed by a meteoric fall – such has been the Jakarta stock exchange in the past 18 months. Now the exchange has announced new rules on securities companies, to improve investor protection and encourage a return of investors. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises				**Rises**			
Bilfing Berg	924.5	+	19.5	Geophysique	760	+	27
Hochtief	1195	+	31	Union Immob Fr	518	+	18
MetallgTechell	431	+	11.1	**Falls**			
Porsche	665	+	15	Cap Gemini S	293.7	–	5.2
Falls				Fonc Lyonnaise	600	–	15
F Kugelfischer	245	–	5.5	Moulinex	146.2	–	4.8
Leifheit	610	–	20	Spie Batignolles	436	–	12.5

NEW YORK ($) / **TOKYO (Yen)**

Rises				**Rises**			
Chrysler	11⅛	+	⅜	Meiji Milk Prods	1260	+	120
Johnson & J'sn	92⅜	+	3½	Nippon Chem	1090	+	104
Quaker Oats	60	+	3⅜	Nippon Zeon	745	+	79
Sallie Mae	52⅜	+	3⅞	Nitchitsu	1200	+	140
Falls				Tokyo Rope Mfg	1050	+	105
Pride Co's	22⅛	–	4½	**Falls**			
Wal-Mart	48⅛	–	⅞	Gakken	1050	–	130

PARIS (FFr)

New York prices at 12:30.

LONDON (Pence)

Rises				Intercare	124	–	7
Costain	67	+	11	Jackson Grp	50	–	4
EnterpriseComp	15	+	2½	Maxwell Comm	149	–	7
FR Group	177	+	10	Mirror Grp	80	–	6
Jessups	48	+	6	Norex	139	–	7
ML Labs	795	+	25	Pressac	96	–	10
News Intl SpDv	240	+	10	Rosehaugh	16½	–	3½
No-Swift	384	+	14	Scot Metrop	71	–	4
Trans World	66	+	7	SelecTV	24	–	2
Falls				TVS Ent	11½	–	2½
Allied London	86	–	6	Wood (SW)	80	–	5
Elec Ptg pp(£)	2723	–	45				
Hammerson A	567	–	20				

Ford and GM post big losses in third quarter

By Martin Dickson in New York

GENERAL MOTORS and Ford, the two largest US automobile manufacturers, yesterday reported a combined third-quarter loss of nearly $1.7bn and offered little hope of an early return to profitability.

Ford said it expected to lose money in the fourth quarter and had been cutting its production schedules because sales had not picked up as rapidly as expected.

The US automobile industry has been suffering for the past year from a sharp downturn in North American demand, due to recession.

At the same time, Detroit's big three – GM, Ford and Chrysler – have faced mounting competition from Japanese rivals with US manufacturing facilities.

The result has been excess capacity and a ferocious price war.

The third quarter is traditionally weak because it includes the conversion of assembly plants for the start of the new model year.

Yesterday's losses were within the range of analysts' expectations.

General Motors reported a third quarter loss of $1.1bn, or $1.88 a share, on sales and revenues of $28.9bn.

In the same period of last year the company recorded a loss of $2.1bn, or $3.54 a share, after a special restructuring charge, and made $15m, or 2 cents a share, excluding the charge.

Ford lost $574m, or $1.20 a share, on sales and revenues of $21.1bn, compared with a profit of $102m, or 22 cents a share, on revenues of $23bn.

In contrast to GM, the bulk of its losses were in overseas markets. Ford has the largest share of the UK car market and has been hit by the recession there. It said that Jaguar, its troubled British luxury car maker lost $100m in the quarter.

GM said its worldwide factory sales to dealers totalled 1.58m units, 10.5 per cent below last year's quarter, due to lower purchases in the US, where the product mix had also been less profitable.

However, this had been partly offset by reduced discounts and greater operating efficiency.

Overseas earning remained relatively strong, despite the conversion of five European assembly plants to produce the new Astra compact car. The group's financing arm produced record earnings of $346m, up from $293m, while EDS, its computer services business, made $145m, up from $128.4m and GM Hughes Electronics, its aerospace group, made $38m, down from $158m.

Mr Robert Stempel, the GM chairman, said that while surveys showed US consumers to be relatively optimistic about the outlook for the national economy, they were less confident about their own finances – and the rate of improvement in automobile sales would depend partly on the latter.

Ford's factory sales dipped 2 per cent to 1.28m units, but the losses from its worldwide automotive business totalled $751m – with $197m in the US and $554m overseas. This was partly offset by $177m of profits from its financial services arm.

Ford share issue, Page 25

De La Rue buys Swedish rival

By Andrew Bolger in London

DE LA RUE, the UK-based security printer and payment machine maker, yesterday made a £160.3m ($273m) rights issue, partly to fund its acquisition of a Swedish competitor, Inter Innovation.

De La Rue has agreed to pay £94.7m in cash for the Stockholm company, which makes and distributes automated cash machines in Europe, the US, and the Pacific Rim.

Mr Jeremy Marshall, the chief executive who in the past two years has restructured De La Rue and sharply increased its profitability, said the rest of the cash raised would be used for further acquisitions.

The one-for-three offer was priced at 350p, a deep discount to Monday night's close of 448p, partly because of the London market's hostile reaction to some recent rights issues. However, the deal was well received yesterday and De La Rue shares closed at 446P, down only 2p on the day.

The UK group, the world's biggest printer of banknotes, currently derives 44 per cent of its turnover from payments systems, which control the mechanised transfer of money. That proportion will rise to 57 per cent after the acquisition of Inter Innovation, which makes automated currency handling machines and supplies physical security products, such as safes and vaults.

De La Rue will close Inter's head office in Stockholm and Mr Marshall said there would also be scope to eliminate duplicate branch structures, merge service organisations and share research and development costs.

Inter Innovation was founded in 1973 by Mr Lief Lundblad, a Swedish inventor who has sold his controlling shareholding and will continue to provide consultancy services for five years under an agreement which involves De La Rue spending £9.9m on research and development over that period.

Inter Innovation had a record of sustained growth spanning more than a decade but this was interrupted last year by the downturn in US banking. The company does not expect its profits for 1991 to exceed last year's, when it made pre-tax profits of SKr38.4m ($6.1m) on sales of SKr562.6m.

De La Rue yesterday also reported a 9.9 per cent increase in pre-tax profits to to £31.1m in the six months to September 30. Turnover was flat at £175.8m.

Cazenove were brokers to the rights issue, which was fully underwritten by J. Henry Schroder Wagg, the merchant bank.

Lex, Page 18

Den norske Bank will need capital injection

By Karen Fossli in Oslo

DEN norske Bank, Norway's biggest bank, warned yesterday that it will need an injection of capital to meet domestic capital adequacy requirements by the end of this year.

It also said an internal review revealed that loan-loss provisions for the first nine months of this year would reach NKr3.8bn ($576m), and that NKr1.6bn in loan-loss provisions would be charged against third-quarter accounts.

It has been forced to write down the value of its real estate portfolio by NKr400m in the third quarter. For the nine months to September, write-downs will reach NKr600m.

The bank declined to reveal how much new capital it needs to meet its 5.6 per cent capital adequacy requirement, but said it would not tap the state-controlled bank insurance fund.

The bank has previously insisted that it would be able to meet 1991 capital adequacy requirements without new capital, indicating that the review has uncovered fresh evidence of a deterioration in its financial position.

Only last week, it said it would meet the requirements "even without the infusion of fresh capital".

In 1990, Den norske slid into net losses of NKr1.29bn, compared with a profit of NKr103m in 1989. Credit losses in 1990 rose to NKr3.80bn from NKr3.24bn a year earlier.

On Thursday, the ruling minority Labour government announced details of an emergency package to prop up the ailing banking system. The plan was forced by the technical insolvency of Christiania Bank, the second biggest bank, which said it had lost its equity capital.

One of the measures calls for the establishment of a state-controlled bank investment company with a capital of NKr4.5bn. This was specifically aimed at Den norske Bank, which plans to expand its share capital by NKr2.2bn in November, but has been plagued by downward pressure on its share price because of the country's banking crisis.

Bronwen Maddox assesses the biggest loser in the UK television auction

Thames shrinks to survive

"IT IS complete rubbish that we can't change our culture. We've changed already: as of last Wednesday we are a completely commercial television company in every sense," says Mr Derek Hunt, finance director of Thames Television.

A change of culture is made urgent by the results of last week's UK television auction, in which Thames lost the London weekday franchise to Carlton Communications. It is only one of the changes the company must make as it prepares to stop broadcasting at the end of 1992.

Last night Thames agreed with its trade unions the terms for the huge job cuts that lie ahead. It will cut at least a thousand of its 1,400 permanent staff, and could enter 1993 with a payroll of less than 200, according to Mr David Elstein, director of programmes.

Almost all local programmes apart from news will go in the next few months. The remaining programmes for the ITV network will be made at the company's production base at Teddington, outside London.

Thames's grimy but imposing London headquarters "will become a ghost town after Christmas" according to one producer, holding just the management, transmission operators, and reporters on the local news and the network current affairs programme.

"Beyond that, we haven't yet decided the shape of the business – and when we do we may say nothing," says Mr Richard Dunn, the chief executive.

His reticence is not surprising, if only because he and his colleagues face some of the most difficult commercial judgments in British television.

From January 1 1993, Thames will become a pure independent producer. True, it will be Britain's largest – but independent production has scarcely been more than a cottage industry, with producers nervously eking out cash-flow between prized but generally short contracts from the broadcasters.

The challenge facing Thames is to use its slate of high-rating series – such as the comedy-drama Minder and the police series The Bill, a line-up that most independents could only have dreamed of – to win a better living than any independent has done so far.

"Thames is probably the only one of the ITV companies that would stand a chance, but even the largest independents live on a shoestring," says Mr Leslie Hill, chairman of Central Independent Television, which retained its Midlands franchise last week.

How long is that shoestring likely to be?

"If we get over £100m ($172m) a year from now on we'll think that's not too bad, and we'd be really pleased with £150m," says Mr Hunt. Last year, Thames had revenues of £378m from advertising and programme sales.

International business could provide up to half of Thames's business in the future. Overseas programme sales have been bringing in about £20m a year, and last year's revenues from Reeves, Thames's US programme-making subsidiary, came to around £28m.

Other ITV managing directors express doubts about the money to be made in the UK.

"Thames stands an extremely good chance of being Britain's largest independent, but that may not be a big thrill in money terms for years," says Mr Christopher Bland, chairman of LWT, which successfully held on to the London weekend licence.

ITV managing directors see Thames competing for £100-200m of commissions from ITV. ITV's network budget in 1993, excluding films and sport, is likely to be around £400m, and it must give at least a quarter to independent producers.

Potential business from the BBC is even harder to judge. It too is obliged to increase its commissions from independents but how it will accommodate that shift at a time when its budgets are to be held below inflation is still unclear.

There is an additional uncertainty overshadowing sales to ITV. At the moment, Thames programmes sold to the network are paid for under arbitrary pricing rules designed to cover the cost of programmes, but nothing more. "The system does not pay a profit margin on programme making now, and we will need to get one," says Mr Hunt.

Mr Ian Ritchie, managing director of Tyne Tees, believes that all these factors mean that Thames "initially stands a fairly remote chance of making a meaningful level of profits. Not only is the amount of business likely to be small but any business needs an element of certainty, and independents find that hard."

However Thames's size brings it some security compared to other independents. It can trade on its most successful shows by packaging them with lower rating shows and library material in "all or nothing" deals.

Thames could also explore broadcasting from the sky – it owns options on two transponders on the Astra satellite – or applying for the UK's new Channel 5 licence, to be advertised next year.

The hazards of life as an independent, and Thames's speed in making the latest job cuts, raise questions about why the company did not bid higher for its franchise.

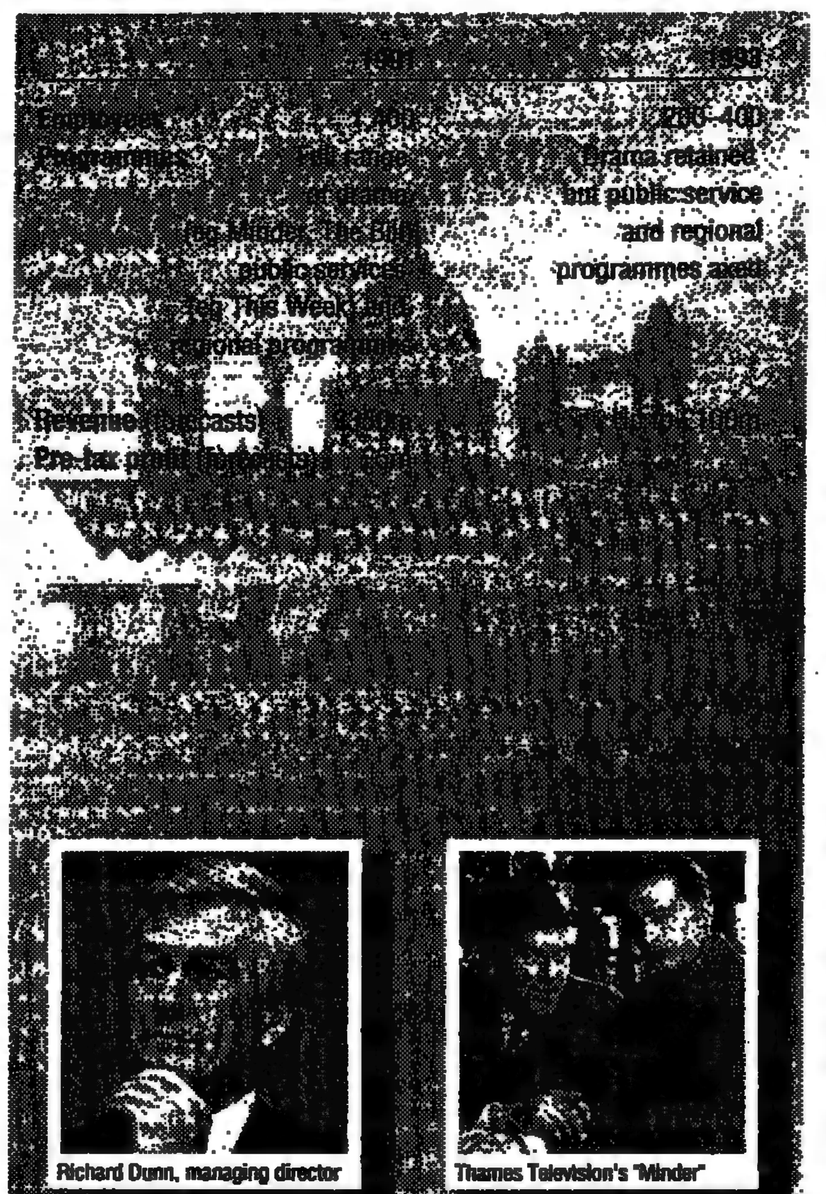
Mr Hunt argues that the very value of Thames's production business was the handicap. Thames could not bid so much for the broadcasting licence that it would leave shareholders with a business valued at less than production alone. "Because we had a business to fall back on the added value of winning was less for us than for Carlton, so we bid less" says Hunt.

This argument rests heavily on one point: Thames's belief that it will find a valuable business in making programmes. Thorn EMI, its 56 per cent shareholder, is giving it "extremely strong support" in pursuing that belief, according to Mr Dunn.

Unless Thorn EMI decides to take the company private, there will be little immediate comfort for minority institutional shareholders who do not share that belief in the long term future. The recession-induced drop in advertising revenue means that Thames is expected to show a pre-tax loss of up to £6m in interim results to be announced soon, compared to a profit of £10m in the first half of 1990.

It will take Thames's management more than a year to discover either that they have no real jobs, or some of the best in British television.

"I can hardly say I'm looking forward to the change – a lot of close colleagues will lose their jobs," says Mr Elstein. "But we should end up in a uniquely privileged position: Britain's largest producer, allowed to supply to all broadcasters, and there isn't another company that will be able to say that."



TELEVISION South West, the Plymouth-based ITV company which lost its franchise to Westcountry TV last week, has announced that it will be making "substantial redundancies" up to director level, writes Martin Mulligan.

The board met last night to decide whether to pursue a judicial review to challenge the ITC decision. Mr David Glencross, ITC's chief executive, will meet Sir Brian Bailey, TSW chairman, next week for discussions.

Swiss bank faces cut in credit rating

By Tracy Corrigan in London

CREDIT SUISSE, the smallest of the big three Swiss banks, stands to lose its top Triple-A credit rating. Its long-term debt and deposit ratings were placed under review for downgrade yesterday by Moody's.

The US rating agency cited the increasingly competitive banking environment in Switzerland and abroad, and the declining asset quality caused by recession.

The big three Swiss banks, Union Bank of Switzerland, Swiss Bank Corporation and Crédit Suisse, have been viewed as the most stalwart credits among mainly declining financial institutions. None of these triple-A rated banks has ever faced a downgrade before.

Moody's said that Crédit Suisse lags its two peers in the Swiss retail banking market. But other analysts were surprised that it had been singled out.

"Crédit Suisse has a different risk profile but it also has a strong earnings capacity and a very healthy capital base," said Mr Edward Emmer of Standard & Poor's, the US agency.

Crédit Suisse, a subsidiary of CS Holding, is rated Triple-A by both S&P and IBCA, the European bank credit rating agency.

There was some surprise at the timing of the review. Last year, Crédit Suisse faced a weak securities market and there were problem loans at First Boston, the US investment banking subsidiary of the CS Holding group. This year, First Boston's exposure to problem loans has been substantially reduced, and securities profits have soared.

Credit Suisse has a highly profitable derivatives unit, backed by the bank's top credit rating. It could suffer if a downgrade goes ahead. However, a senior banker said that provided the unit is rated double-A or above, business would not be affected.

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INTERNATIONAL COMPANIES AND FINANCE

Crédit Suisse predicts record year

By William Dullforce in Geneva

CREDIT SUISSE, the third largest Swiss bank, said yesterday that its gross earnings during the first nine months had been higher than in the corresponding periods of 1990 and 1989, which was its best year.

Year results would be "significantly better" than the "unsatisfactory" figure recorded in 1990 and also superior to 1989's record performance.

In 1990 Crédit Suisse posted a 31 per cent fall to SFr539m ($364m) in consolidated net earnings because of a sharp slide in income from securities trading. In 1989 group net earnings amounted to SFr783m.

The bank issued its nine-month report soon after Moody's Investors Service had announced that it might downgrade Crédit Suisse's AAA senior guaranteed Eurodebt as well as the AAA-rated long-term deposits of the bank and its financial products subsidiary.

Mr Beat Hubacher of Crédit Suisse said the bank saw no reason for Moody's to put it on the watch list and would soon be talking to the rating agency.

Crédit Suisse knew of no extraordinary risks which could differentiate it from the other big Swiss banks which enjoy AAA ratings, especially when it was able to forecast record earnings for 1991.

Moody's had said that credit risks were worsening for banks in general but, Mr Hubacher said, Crédit Suisse's loss provisions were not expected to increase more than those of other banks and it was less exposed than others in its mortgage business.

Provisions for losses at Crédit Suisse have been higher than in previous years and costs have continued to rise rapidly, according to the third-quarter report. However, the earnings trend at both the group and parent bank level had continued to be "highly gratifying".

At the half-way stage, Crédit Suisse reported a 71 per cent increase to SFr1.32bn in pre-tax group operating profit.

Group lending had shrunk by 0.7 per cent in the third quarter but had risen by 8 per cent to SFr99.6bn for the first nine months as a whole.

Parent bank lendings had remained at the SFr84.7bn level they had reached at the end of June, but were still 8.5 per cent higher than at the end of 1989.

Customer deposits declined by 1.1 per cent at the group level and by 1 per cent at the parent bank. However, from January to the end of September, customer deposits at the group level had risen by 8.6 per cent to SFr109bn and in the parent bank by 8.3 per cent to SFr89.4bn.

Total assets of the group at the end of September amounted to SFr161bn, while those of the parent bank stood at SFr132bn. The totals represented contractions during the third quarter of 4.4 per cent for the group and 5 per cent for the bank, but during the nine months assets had climbed by 7.6 per cent in the group and 5 per cent at the bank.

The third-quarter decline in assets reflected primarily a reduction in interbank business and the depreciation of the dollar, Crédit Suisse said.

Bouygues reports 9% underlying growth rate

By William Dawkins in Paris

BOUYGUES, one of the world's largest construction groups, yesterday reported an underlying 9 per cent growth in turnover in the first half of the year and said year figures would show the same increase, representing a slowdown from the 1990 growth rate.

Published turnover in the first six months climbed by 14 per cent from FFr26.2bn to FFr29.97bn ($5.2bn), including a first contribution of FFr1.4bn from Losinger, the Swiss construction group acquired at the end of 1990. Stripping out Losinger, underlying sales growth comes down to 9 per cent overall and 25 per cent for the international activities, said Bouygues.

Group net profits rose by 2 per cent over the same period, from FFr102m to FFr104m. Growth was strongest in Bouygues' extensive international activities, where published sales rose by 49 per cent. In what the group called the "difficult environment" existing in France, Bouygues managed growth of 4 per cent.

Bouygues' French turnover of FFr21.1bn represented 70 per cent of the group total. Bouygues forecast that year sales should rise from FFr56.7bn in 1990 to FFr61.7bn, of which FFr17.5bn would be made internationally, mainly in Europe, North America and the Far East.

The order book indicates that activity next year will be around the same level as in 1991, in spite of the continuing French economic slowdown.

Wolseley posts 33% decline and sees no sign of upturn

By Clare Pearson in London

MR JEREMY Lancaster, chairman of Wolseley, yesterday warned that the plumbing and building materials distribution group saw no sign of an end to the recession on either side of the Atlantic.

"Politicians may talk of a recovery but people out in the field are not," he said. "Search as hard as we may, we are unable to discern any improvement in the group's short-term prospects."

Mr Lancaster was speaking as the company unveiled pre-tax profits down by a third to £50.3m ($128m) in the year to end-July, from £120.7m a year earlier.

Nevertheless, the final dividend is being maintained at 9p making an identical 12.10p for the year. Earnings per share dropped to 23.33p against 36.99p. Turnover fell to £1.74bn from £1.85bn.

The result left the share price unchanged at 400p in London. It was in line with City of London forecasts, which were recently downgraded.

The pre-tax line was struck after an exceptional debit of £11.2m which analysts said reflected conservative accounting. It chiefly consisted of provisions against possible future sales of agricultural machinery and building distribution companies.

Wolseley has cut the workforce by about 12 per cent, to 14,000, in the last year.

Currency fluctuations reduced 1991 profits by about £2.9m, against a gain of £1.3m. Property disposals contributed only £900,000 against £1.5m.

In UK building distribution, trading profit was 16 per cent down at £40m, on sales boosted by the inclusion of an acquisition made in June last year, up from £541.9m to £570m.

Mr Lancaster said sales had been only marginally down at Plumb Center, the largest UK plumbing merchant, which was a strong performance in the circumstances. Plant hire, however, had been hard hit.

The biggest profits decline came in US building distribution which provided a profit of only £31.5m against £57.2m at the trading level on sales of £906.1m from £1.03bn.

Mr Lancaster said there had been "a tremendous change" in Californian operations, where sales, 25 per cent up 18 months ago, were now 11 per cent down year-on-year. However, operations in the north-western states increased turnover.

The manufacturing businesses in the UK suffered a 20 per cent fall in trading profits to £17.1m.

Banco de Santander up 18.6%

By Tom Burns in Madrid

BANCO DE Santander, which has a 10 per cent shareholding in the Royal Bank of Scotland, raised group net income by 18.6 per cent in the first nine months of this year, to Pta63.9bn ($608m).

The interim dividend is being increased by 13 per cent to Pta130 per share, payable on October 31.

Santander's group financial revenues were up by 7.2 per cent to Pta477.4bn in the third quarter, and the financial margin was raised by 10.6 per cent to Pta159.1bn.

Mr Emilio Botin, Santander chairman, said the group's operating performance was "quite satisfactory" for the first nine months of the year.

Aker buys stake in US concern

By Karen Fossli

AKER, one of Norway's biggest industrial groups, said yesterday that it had completed an important stage in its North American expansion strategy by acquiring a 51 per cent stake in Peter Kiewet & Sons' Gulf Marine Fabricators, an offshore oil and gas platform construction yard.

Peter Kiewet & Sons will maintain a 49 per cent stake in the yard, which is to be named Aker Gulf Marine. Mr Gregers Kure, president and chief operating officer of Aker's oil and gas technology division, did not give financial details of the deal.

Mr Kure said Aker was also contributing its deep-water oil and gas expertise, acquired from more than a decade of helping oil companies develop North Sea fields.

He estimated that Peter Kiewet & Sons had an average annual turnover of $3.5bn, and that Gulf Marine Fabricators had annual revenue of $75m.

The yard, based in Corpus Christi, Texas, has built two of the world's biggest offshore steel substructures for the Gulf of Mexico. It is working on the fabrication of 22 offshore platform modules for Exxon Corporation's Harmony and Heritage oil fields, off the coast of California, and is expected to complete the project in autumn next year.

Norwegian Contractors, an Aker unit, is best known for its offshore concrete platforms in the North Sea. It is also involved in the development of Mobil Canada's Hibernia oil field off the coast of Newfoundland.

Mr Kure said Aker had recently completed tests in Texas to check the behaviour of concrete in hot, humid conditions, to verify that it could be used to build platforms for the Gulf of Mexico.

In the first eight months of this year, Aker's oil and gas technology division reported sales of NKr4.48bn ($679m) and profits of NKr211m.

Esab falls to SKr18m

ESAB, the world's leading welding equipment producer, reported yesterday a sharp drop in its profits for the first nine months to SKr18m ($3m) compared with SKr273m for the same period of 1990, writes Robert Taylor in Stockholm.

Sales fell by 9 per cent to SKr4.78bn from SKr5.24bn.

US tests support Astra antiviral drug

By Paul Abrahams

POSITIVE conclusions about Foscavir, the antiviral drug sold by Astra, the Swedish pharmaceuticals group, were published yesterday by the US Department of Health and Human Services.

Large-scale trials showed that patients of the disease Aids treated with a combination of Foscavir and AZT, Wellcome's Aids treatment, lived longer than those treated with AZT and another drug, Ganciclovir. Analysts said there were about 50,000 patients with Aids-related eye infections in the US.

They estimated the market at between $50m and $60m.

Astra played down the commercial significance of the results. Although the product is also licensed in Scandinavia, France, Germany and the UK, the potential market in Europe is far smaller.

Astra's free B shares closed down by SKr7 at SKr548.

The US trials showed that those patients given Foscavir for a serious eye condition associated with Aids, known as CMV retinitis, lived for 12 months compared with eight months for those treated with Ganciclovir. Patients appeared able to tolerate the Foscavir combination.

About 20 per cent of Aids patients develop CMV infections.

Tudor 'not for sale'

CORPORACION Banesto, Spain's leading privately owned conglomerate, yesterday attempted to quell rumours that it was seeking a buyer for Tudor, Europe's third biggest battery producer, writes Tom Burns.

Mr Jon Eizmendi, Corporacion Banesto's deputy managing director, said the conglomerate had no intention of selling the group.

Ill winds bypass Danish banks

Hilary Barnes on why Copenhagen remains largely unaffected by the crisis in the rest of Scandinavia

Media reports and headlines proclaiming "Nordic bank collapse" and "Scandinavian banks in trouble" have irritated Denmark's bankers.

"The Danish banks are not in trouble," said Mr Sten Rasborg, chief executive of Unibank, the second largest Danish bank, and chairman of the Banker's Association.

Investors abroad, who apparently failed to read the small print, last week unloaded shares in Den Danske Bank and Unibank, contributing to a 15 per cent decline over four weeks in the share index for the banks.

There appeared to be no new information on the state of the Danish banks to justify this decline. If anything, rising Danish bond prices were a signal that bank profits this year may be better than expected.

"It is completely unfair to compare Danish with Norwegian banks," said Mr Per Hillebrandt, analyst at Carnegie Jensen, one of the bigger Danish brokering firms.

Mr Hillebrandt considers that the share price decline makes Danish bank shares a good buy at the moment, a view which seems to have other backers, too – over the past two or three trading days the price of Danish bank shares have recovered some of the losses.

Mr Rasborg gave three reasons why Danish banks are less exposed to trouble than the other Nordic banks.

- Deregulation of financial markets began earlier – in the 1970s – in Denmark than in the other Nordic countries, and the Danish banks have had more time to adjust to conditions in a deregulated market.
- Danish banks are more strongly capitalised than their Nordic colleagues. Owing to rules introduced in the 1930s, Danish banks found that they were significantly over-capitalised when the new Bank of International Settlements rules were introduced, with an average capital ratio in 1990 of more than 13 per cent.

Under the BIS rules, a typical large Danish bank can expand its balance sheet by 40 to 50 per cent in the period to 1995 without having to seek new capital, according to an article in Denmark's National-bank's (the central bank's) Quarterly Review.

- The Danish economy went into recession in 1987, and has experienced four years of little growth. Bank losses were substantial, with loss provisions in 1990 for all banks and savings banks averaging 1.9 per cent of outstanding loans and guarantees.

Although Unibank and Bikuben, another leading bank, increased provisions in the first half compared with the same period in 1990, the other two, Den Danske Bank and Jyske Bank, were able to reduce provisions. All banks expect provisions from now on to be lower.

The fact that the Danish banking system is not suffering like those in the other Nordic countries does not mean all is well.

Last year, the banks and savings banks made a net loss of DKr3bn ($459m). They will do better this year, because provisions will be lower and banks' net financial income is expected to increase.

Energy groups suffer sharp falls

By Karen Zagor in New York

THE STRENGTH of crude oil prices at the beginning of the Gulf crisis last year distorted earnings comparisons for several US energy companies which posted sharply lower third-quarter earnings yesterday.

The industry has been affected by lower demand for refined products and natural gas, which has cut into profit margins. Also, falling demand for petrochemicals has hurt earnings.

Texaco reported a 25 per cent decline in third-quarter net earnings to $286m. Revenue slid nearly 15 per cent to $9.4bn.

Mr James Kinnear, Texaco's chief executive, said the Opec basket of crude oil prices averaged $18.70 in the 1991 quarter, compared with $24.60 a year earlier. "US crude prices reflected the same pattern and contributed to the decrease in upstream earnings," he said.

Margins in chemicals and petroleum products were affected by the US recession. Market conditions were particularly weak on the west coast.

In the 1991 quarter, Texaco recorded net income of $286m or $1.01 a share on revenues of $9.4bn, against $381m, or $1.38 on revenues of $11bn.

For the nine months, net income fell to $970m or $3.46 a share, from $1.06bn or $3.78 a year earlier. Revenues eased to $28.6bn from $28.8bn.

Earnings from Texaco's exploration and production operations fell 52 per cent in the quarter to $129m and 6 per cent in the nine months to $444m, mainly reflecting the sharp drop in third-quarter comparative crude oil prices. Weaker demand for natural gas contributed to the erosion.

Occidental Petroleum, which has been restructuring, posted third-quarter net income of $171m or 56 cents on sales of $2.3bn, against $108m or 36 cents a share on revenues of $2.7bn.

However, the figures for both periods were muddied by special items.

The 1991 figures included a tax benefit of $75m, partly offset by an extraordinary loss of $107m from early debt retirement. The figures also included an after-tax gain of $534m from the sale of the company's North Sea interests and other pre-tax charges of $414m. The 1990 figures included a $4m gain from tax benefits.

Occidental's oil and gas division earned $51m in the quarter, before extraordinary items, down 35 per cent the $78m earned in 1990.

Phillips Petroleum reported third-quarter net earnings of $56m, or 21 cents, on revenues of $3.1bn, against profits of $178m, or 72 cents, on revenues of $3.4bn last year. Excluding several one-time items, third-quarter earnings plunged to $13m from $158m.

For the nine months, its earnings declined to $234m, excluding extraordinary items, compared with $365m.

Ashland Oil turned in fourth-quarter net income of $63m or $1.07, against $59m or $1.06 in the last three months of 1990. Revenues were flat at $2.7bn.

For the full year, Ashland earned $145m or $2.58, compared with $182m or $3.27. Revenues rose to $9.9bn from $9.5bn.

GM might buy Milan factory from Fiat

By Alan Friedman

GENERAL Motors of the US is discussing the acquisition of a vehicle manufacturing plant near Milan. The plant is being closed by Fiat, the leading Italian car maker.

Fiat last week announced plans to close the plant – located at Desio – and transfer production to other facilities in Italy. The plant employs 2,500 people and has a daily output of 400 Panda cars and 200 Y-10 models.

The Italian car maker said it would transfer production of the Panda models to its Mirafiori plant near Turin and to its Termini plant in southern Italy.

The Y-10 production would be shifted to Mirafiori and to a plant in Arese acquired by Fiat when it bought Alfa Romeo.

Fiat said it was discussing the plant's sale to GM's Automotive Components Group Europe.

The talks involved the conditions and form of the sale, it said, but declined to give further details.

In Detroit, GM said the talks concerned a range of component-related matters, including the possible purchase of the Desio plant.

It added that the discussions were at a "preliminary" stage.

Northern Telecom sets record

By Bernard Simon in Toronto

NORTHERN TELECOM'S acquisition of STC of the UK allowed the Canadian telecommunications equipment maker to report record sales, earnings and orders in the third quarter, in spite of a slump in its North American business.

Northern reported that net earnings grew to US$106.7m, or 42 cents a share, from US$97.9m, or 38 cents, a year earlier. Revenues rose by 18.6 per cent to US$1.92bn. The $2.92bn order backlog on September 30 was 40 per cent higher than last year.

Northern does not break out the contribution of the British telecoms equipment maker STC, which was acquired last March and has been fully integrated into its European operations. Comparisons with STC's earlier results are meaningless, as Northern has disposed of several STC businesses.

Investment and other income slipped to $4.8m, from $23.7m a year ago and $30m in the second quarter. Northern ascribed the most recent drop to lower interest income from cash balances and a smaller contribution from the UK-based computer group ICL, in which Northern has a 20 per cent interest.

Ms Margot Ritchie, analyst at Bunting Warburg in Toronto, noted that tighter cost controls and a focus on high-margin products had led to a steady improvement in overall gross margins, from 40 per cent a year ago to 41 per cent in the second quarter and 43 per cent in the latest report.

Revenue from all product lines rose, with the biggest dollar increase coming from central office switches.

In keeping with its strategy of concentrating on expansion outside North America, Northern said it had won orders from Denmark, the Netherlands, Mexico, Poland and Thailand.

Revenues declined in Canada, the home of Northern's biggest single customer, Bell Canada, reflecting the recession and the exclusion of federal sales tax from revenues.

3M slips on poor economy worldwide

By Barbara Durr in Chicago

US RECESSION and slow economic growth abroad reduced third-quarter net income by 11.8 per cent at 3M, the diversified manufacturer.

Its earnings declined to $296m, or $1.35 a share, compared with $336m, or $1.52, last year, on sales of $3.37bn, up 1 per cent from $3.34bn.

A stronger US dollar also took its toll. If the dollar had remained unchanged, sales, nearly half of which are abroad, would have increased by 3 per cent and third-quarter earnings would have been about 2 cents a share higher.

The company's US unit sales were, however, slightly better than analysts expected. These rose about 2 per cent, compared with a 2 per cent decline in American industrial production, while unit sales outside the US were up 7 per cent.

In the first nine months, net income declined to $895m, or $4.08 a share, against $1.01bn, or $4.57, last year on sales of $10.1bn, compared with $9.7bn.

Mr Allen Jacobson, 3M chairman, said he expected the company's fourth-quarter earnings to show a similar decline. He saw no evidence of economic rebound in the US and expected more slow growth abroad.

Dow Chemical declines 21.5%

By Karen Zagor

THE recession and over-capacity, which have plagued the chemical industry through most of the year, were the main reasons for a 21.5 per cent decline in third-quarter earnings at Dow Chemical, the second biggest US chemicals group.

For the three months to September 30, Dow turned in net income of $223m or 82 cents a share, against $284m or $1.04 a year earlier. Operating income dropped 38 per cent to $410m from $664m.

The results included a lower tax provision of 35.5 per cent compared with 38.5 per cent a year ago. Sales slid to $4.5bn from $4.92bn. The 1990 third quarter was unusually strong because of an inventory build-up and price increases after Iraq invaded Kuwait. Prices in the 1991 quarter fell 9 per cent while sales volume increased less than 0.5 per cent.

However, the company said the rate of decline in prices for basic chemicals and plastics slowed in the latest quarter and prices were starting to rise for polyethylene, polystyrene and propylene oxide.

Mr Enrique Falla, Dow's chief financial officer, said: "Additional price increases for the basics in the fourth quarter will be required to offset rising hydrocarbon feedstock costs and preserve profit margins."

For the first nine months of 1991, Dow's operating income dropped 24.6 per cent, to $1.72bn from $2.28bn.

Several one-time items in 1991, including a first-quarter gain of $213m or 79 cents a share from an initial public offering of the company's Destec Energy business, contributed to a less dramatic decline in net income.

Net earnings in the first three quarters fell to $1.03bn or $3.81 a share from $1.11bn or $4.09 the previous year. Sales were $14.24bn against $14.63bn.

Bankers Trust earnings up 9%

By Martin Dickson in New York

BANKERS TRUST, the New York banking group, yesterday reported a 9 per cent increase in third-quarter earnings, helped by a strong performance in global capital markets and the trading of less developed country (LDC) debt.

Bankers Trust has been one of New York's most consistently profitable banks in recent years but yesterday's figures were at the top end of analysts' expectations.

Earnings rose to $185m, or $2.17 a share, against $170m, or $1.98 a share, in the same period of 1990. Trading revenues totalled $323m, up 22 per cent from the $264m reported in 1990.

LDC asset trading accounted for $35m of the $59m increase and the bank said revenue from commodity derivates and other relatively new client-related products also increased significantly.

But it added that the main contributors to trading revenue were global capital markets businesses, including interest rate, currency, commodity and equity derivatives. Foreign exchange trading revenues dropped from $118m to $40m.

The bank's fiduciary and fund management revenues rose 20 per cent to $146m, while fees and commissions totalled $131m, down from $141m in the same period of last year.

However, the bank said the figures were better than in the three preceding quarters. Net interest revenue fell $36m, or 17 per cent, to $174m, while non-interest expense rose $21m, or 4 per cent, due to higher incentive compensation and benefits. The bank said that excluding these factors, which were driven by profit and revenue, expenses fell 5 per cent.

The provision for credit losses was $80m, compared to $53m a year ago, and total net charge-offs were $216m, including $157m of refinancing country loans.

Mattel raises dividend by 25%

MATTEL, the second biggest US toy maker, is to raise its dividend by 25 per cent after turning in an 18 per cent improvement in third-quarter earnings, writes Karen Zagor.

Mattel had net income of $56.6m, or $1.10 a share, against $47.8m, or 95 cents, a year earlier. Sales advanced 7 per cent to $523m from $490m. The company attributed the improved earnings to strong worldwide sales.

Mattel's board declared a five-for-four stock split and increased the quarterly dividend to 5 cents a share, or 25 per cent after the stock split.

Morgan Stanley improves to $121m

MORGAN Stanley, the Wall Street securities house, yesterday reported a big jump in third-quarter profits to $121.8m, or $1.52 a share. In the same quarter a year ago the firm made $71.9m, or 91 cents, writes Patrick Harverson in New York.

In the first nine months of this year Morgan earned a record $342.7m, well ahead of the $212m earned during the opening three quarters of 1990, when the securities markets were depressed by the Gulf conflict and the US recession.

The bulk of the improvement in net income in the third quarter came from strong securities trading revenues and earnings from equity and fixed-income underwritings.

A breakdown of third-quarter revenues of $1.74bn shows the biggest contributions came from principal transactions in securities, which rose 45 per cent to $357m; investment banking, which was up almost 10 per cent to $193.6m; and asset management and administration (including global clearing and custody activities), where revenues climbed 21 per cent to $40.7m. Commissions fell slightly to $67m.

Although total expenses climbed nearly 20 per cent to $381.3m, most of the increase was made up in a rise in performance-related costs, such as compensation and benefits and broking, clearing and exchange fees.

Harcourt bond offer extended

GENERAL Cinema, the holding company for retail and entertainment interests, extended its cash tender offer for bonds in Harcourt Brace Jovanovich, the ailing publishing group, writes Nikki Tait in New York.

The offer had been due to close on Monday and General Cinema had said it would not extend the deal beyond this point.

The bidder was requiring that 90 per cent of each of the five categories of bonds be tendered, but by Monday night had reached this objective in only one class – the 13 per cent senior notes. The percentage of all bonds tendered had increased only marginally to 88.4 per cent.

The 11th-hour extension, to 2pm local time yesterday, came at the request of the bondholders' committee.

General Cinema said it had been advised that discussions "are taking place among the bondholders committee, its advisers and other holders of HBJ public debt securities, with a view towards encouraging the tender of additional HBJ public debt securities to reach 90 per cent for each class".

The General Cinema-HBJ deal has hung in the balance for many months. The bidder allowed a previous offer to lapse but returned with the new proposal this autumn.

RESULTS IN BRIEF

Chubb, the US insurer, yesterday reported an increase in third-quarter net income to $151.4m, or $1.72 per share, against $145.3m, or $1.69, for the same period last year.

The figures include realised investment gains after taxes of $12.3m, or 14 cents per share, in 1991 and $15.8m, or 18 cents, in 1990.

For the nine months to September 30, net income rose to $412.7m, or $4.74, compared with $367.2m, or $4.26. Net income includes realised investment gains after taxes of $24.7m, or 28 cents, in 1991, against $24.2m, or 28 cents, the year before.

Weyerhauser, the paper and forest products company, posted third-quarter net earnings of $50.4m or 25 cents per share on sales of $2.2bn. This compares with earnings of $90.6m or 42 cents, on sales of 2.3bn last time.

For the first nine months of 1991, net earnings declined to $172.4m, or 86 cents, on sales of $6.6bn, against net earnings of $334.9m, or $1.57, on sales of $6.9bn.

Johnson & Johnson, a leading maker of health care products, reported net earnings for the third quarter of $363m, or $1.09 per share, against $314m, or 94 cents, last time. Sales were ahead by 10 per cent at $3.1bn, against $2.8bn.

For the first nine months of this year, net earnings were lifted to $1.2bn, or $3.56, against $911m, or $3.11. Sales were $9.3bn, against $8.4bn.

Consolidated net earnings and earnings per share for the first nine months of 1990 were reduced by $140m pre-tax, or $125m after tax (38 cents per share), because of a charge for the permanent impairment of certain assets and operations in Latin America.

Compiled by Rivka Nachoma in New York

Quaker Oats profit rise lifts shares

By Nikki Tait in New York

QUAKER OATS, the food and pet foods group that operates in some highly competitive domestic markets, yesterday pleased Wall Street by posting a 28 per cent advance in after-tax first-quarter profits to $42.4m for the three months to end-September.

The figure included an $8.5m pre-tax provision for the expected recall of some Van Camp's and Wolf Brand products.

Earnings per share were 54 cents, compared with 42 cents in the same period of 1990. Quaker shares rose $1⅛ to $57⅝ on the news.

Quaker attributed the improvement to cost control, lower commodity prices and "strong volume growth" in some US groceries.

INTERNATIONAL COMPANIES AND FINANCE

HK Bank bolsters Marine Midland

By Angus Foster in Hong Kong

HONGKONG BANK has injected US$200m in common equity into its troubled US subsidiary Marine Midland Banks, following the New York state-based bank's sixth successive quarterly loss.

Marine Midland yesterday announced a third-quarter loss of $56.9m, taking losses for the year so far to $166.2m. Losses for the quarter were in line with expectations but were much improved on losses of $111.5m in the same period last year.

Marine, which has been hit hard by the US recession and depressed property market, said losses were inflated by restructuring costs of $17.2m, partly caused by redundancy payments to 400 staff.

The bank also made a $6.6m write-down on a stock portfolio.

Mr John Bond, a Hongkong Bank main board director sent to take over as chief executive of Marine in June and to stem losses, said the bank's performance remained disappointing and provisions, which totalled $47.4m, were unacceptably high.

However, "there has been an encouraging improvement in operating results due largely to reduced expenses", he said.

Hongkong Bank provided $150m of new equity and converted a $50m subordinated loan to raise Marine Midland's Tier I capital ratio to 7.56 per cent compared with 5.21 per cent a year ago. This is the second time in two years that Hongkong Bank has been called on to protect Marine's capital ratios. In May 1990, it announced a $300m capital injection programme.

Mr John Gray, deputy chairman of Hongkong Bank, said further capital injections were unlikely at this stage. He said Marine's new management, made up of Mr Bond and several other executives, had addressed Marine's problem areas and cut costs. "What is within our power, we have done. I would hope the worst is over," he said.

The latest capital injection comes less than one month after Moody's, the ratings agency, said it would review the credit ratings of both Hongkong Bank and Marine Midland for possible downgrading. Moody's said it was concerned about the group's "continuing asset quality problems".

The size of the injection prompted some analysts to suggest that Marine was being recapitalised for recovery.

Mr John Mulcahy, research director at Peregrine Brokerage, said Marine's new management appeared to be "clearing the decks".

"This should be the last bad year for Marine and you only need Marine to break even for there to be a dramatic change in the outlook for Hongkong Bank," he said.

S Korea's banks under pressure

John Ridding and **Steven Butler** on why reform is proving painful

SOUTH KOREA'S commercial banks are facing the unsettling prospect of competition after decades of tight government control.

Foreign pressure and Korea's need for a more efficient financial system are forcing the government to reform the country's anachronistic money markets. The banks are prime targets for change and the process will be painful.

With interest rates set for deregulation in the next few years, margins will come under pressure. The banks will have to shed staff and close branches to keep costs under control. In addition, the big banks, state-owned until a decade ago, are having to defend themselves against aggressive newcomers unburdened by bad loans and the bureaucratic management habits spawned by excessive reliance on the government.

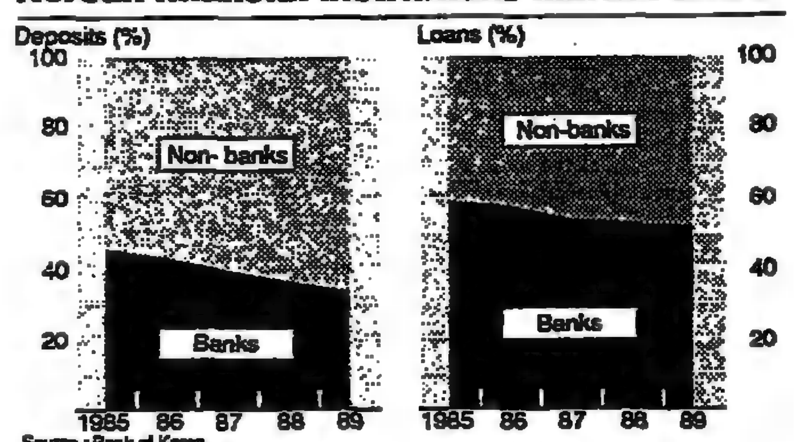
"In the past we just sat on our chairs and waited for business," says Mr Park Yong Ee, managing director of the international division of Cheil Bank, one of the five big commercial banks. "Now we have to go out and fight."

The fight will be on many fronts. Newly licensed domestic commercial banks such as Hana Bank and Boram Bank, foreign banks – in particular Citibank with its expanding retail network – and non-bank financial institutions such as life insurance companies, will all be struggling to expand as Korea's markets are gradually liberalised.

For Korea's 11 nationwide commercial banks, responding to the new environment requires a revolution in management and strategy. To date, they and the specialised state banks have served largely as passive channels through which the government dispensed loans and controlled corporate investment.

Their role was simply to direct the policy loans – subsidised credit for selected industries – which financed the post-war Korean economic miracle of export-led industrialisation. But the government's desire to create a more efficient financial system, better equipped to allocate resources in Korea's increasingly complex economy, has prompted change. Interest rate deregulation, the cornerstone of Korea's financial reform, means that banks will no longer enjoy the comfortable spreads between regulated deposit and loan rates and will have to fight for business.

Korean financial institutions market share



Source: Bank of Korea

A parallel force for change comes from Korea's trading partners, in particular the US. American banks want access to Korean savers and corporate clients and an end to the regulations which limit their arenas of competition.

The South Korean government has been forced to yield, if gradually, to these pressures.

Faced with the impending reform, Korean bankers are resigned to the inevitable. "The cold wind has come at last, and now we have to change," says Mr Park.

There is much to be done. Profitability is low because of non-performing assets accumulated through decades of government-directed loans. Costs are high because of over-extended branch networks and overstaffed operations. Expertise, particularly anything to do with credit-risk analysis, is in short supply.

Most fundamentally, the banks have to learn to compete. "We must start to put profits first and public interest next," says Mr W.H. Kee, executive vice-president of the Korea Federation of Banks.

The picture is not entirely bleak and some progress has been made:

- Bad loans on the books of commercial banks have been reduced from 5.4 per cent of total loans in 1987 to 2.2 per cent of loans at the end of June this year.
- Each of the big banks raised Won470bn ($625m) in fresh capital in the late 1980s when the stock market was strong, allowing all but one to meet capital adequacy standards of the Bank for International Settlements.
- Training programmes are being enlarged. About 3,400 staff will receive training this year at the Korean Banking Institute. A further 340 will be sent on overseas programmes.
- New products are being introduced. Most commercial banks now offer performance-linked instruments and longer term deposits offering annual returns as high as 14.8 per cent.

But there is still a long way to go. The five biggest commercial banks – Cheil, Hanil, Commercial, Cho Hung and the Bank of Seoul – earned an average return on assets of 0.69 per cent in 1990. This compares with 1.93 per cent for the foreign banks operating in Seoul and 1.4 per cent for Shinhan, the star of the new Korean banks.

Reducing costs is also easier said than done. The federation of Korean banks estimates that 87 of the country's 1,720 commercial bank branches are unprofitable. But the difficulty of winning government approval to open offices means they are reluctant to close existing outlets.

The big banks will have a strong interest in moderating the rise in interest rates that deregulation will inevitably prompt. This would allow them to keep their current low-cost funding base and preserve spreads on their current portfolio of assets.

They may not have this luxury, however, because banks such as Hana, Boram and Citibank are trying to win customers, and the easiest way to do so is to offer a higher return on deposits. If the big commercial banks adopt a conservative approach, they look certain to lose customers. While change will be painful, banks that manage the transition will have a host of new opportunities.

The deregulation of interest rates should enable banks to make full use of their branch networks to win back deposits which have been steadily flowing to non-bank financial institutions. Under the current interest rate regulations, these institutions have been able to offer higher returns than the banks.

New business areas should also be opened to the banks. Much to the chagrin of the large life insurance companies, for example, commercial banks are likely to be allowed to participate in a lucrative national pension scheme expected to be launched in 1993.

For now, however, it is the newcomers that are eyeing the process of liberalisation most hungrily. "It is very difficult for the big institutions to change," says Mr Yoon Byung Chul, President of Hana Bank, one of the two newest commercial banks and a former short-term finance company. "We can be much quicker and much more responsive in offering new products."

NEWS IN BRIEF

Toyota, IBM and Toshiba in systems venture

TOYOTA, the leading Japanese car maker, Toshiba of Japan and IBM of the US are to establish a joint venture to build advanced integrated computer systems and develop and market related software, writes Kevin Done in Tokyo.

Toyota will hold a 65 per cent stake in the venture, which will have an equity capital of Y700m ($5.4m). IBM Japan will hold 25 per cent and Toshiba 10 per cent.

The new company, Toyota System International, will design an integrated system to handle vehicle and housing-related production, sales and parts control, as well as accounting, personnel and other administrative activities.

■ Witbank Colliery, the coal arm of Rand Mines, benefited from increased exports and sales to Escom, the power utility, to record improved turnover and profits in the year to September, writes Philip Gawith in Johannesburg.

Turnover rose by 14.5 per cent to R1.24bn ($436m) and operating profits by 4 per cent at R253m. But lower investment income and an extraordinary item saw net profits drop to R135.9m from R144m.

■ Philippine Airlines (PAL), the state-owned national carrier scheduled for privatisation, posted a turnaround to net profits of 389.9m pesos ($14.8m) in the first six months ending in March from net losses of 86.6m pesos a year earlier, Reuter reports from Manila.

Gross revenues rose to 13.9bn pesos from 10.3bn. Mr Feliciano Belmonte, president, said this was achieved despite losses in June from the closure of Manila airport during the eruption of Pinatubo volcano.

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INTERNATIONAL CAPITAL MARKETS

Investors in Greek fund force issue of liquidity

Norma Cohen examines a move which raises questions about the obligations of underwriters

A group of dissident shareholders in the Greece Fund Ltd, a closed-end country fund, has taken steps to force the directors to increase liquidity in its shares.

The move raises questions about the obligations of underwriters to make markets in securities once they have brought them to market. Investors in several similar closed-end country funds have found the value of their investments diminished by the illiquidity of the issues.

The Greece Fund's shareholders, who hold 10.47 per cent of the fund's capital, have asked that a special resolution be proposed at the fund's annual general meeting on 14 November.

The resolution directs the fund's manager, Schroder Investment Management, to take steps necessary to provide shareholders with the opportunity to sell their shares at prices approximating the net asset value of their holdings. These steps might include converting the fund's closed-end trust format into that of a unit trust, or the liquidation of assets.

For its part, Schroders has taken the step of urging shareholders to oppose the resolution, arguing that unitisation or any other change to open-ended status would force sales of assets at distressed prices and would not be in the interests of long-term shareholders.

Furthermore, Schroders says, shareholders have the option of dissolving the fund entirely in 1998.

At the heart of shareholders' complaints is not that the fund has been badly managed or that it has underperformed. Indeed, the fund's net asset value has risen to $45 per International Depositary Receipt, from $32 at the time of launch in October 1988.

Instead, shareholders complained, even as net asset values peaked – pushed by the booming prices on the Athens Stock Exchange in the summer of 1990 – that they could not realise their investment gains.

Mr Edouard Carmignac of Carmignac Gestion, a French investment management firm, says he began to complain to Schroder about the lack of liquidity in the issue in late 1990. Schroders had been underwriter to the issue and is listed as marketmaker. A formal marketmaker must be appointed for every new issue traded on the London Stock Exchange.

Schroders responded by appointing SG Warburg as a marketmaker, but Mr Carmignac says that the firm was only willing to quote prices in small lots of 20 to 30 IDRs, rather than the 400 to 500 IDRs he wished to sell.

"I was sitting on a profit that was not realisable," Mr Carmignac says.

Ms Josiane Pain, a director of Schroder Investment Management, concedes that the Greece Fund's IDRs have been illiquid, as have those of several closed-end country funds.

"There hasn't been a proper marketmaker in this fund," Ms Pain says. At one point, she says, Schroders was making markets in the shares, "but then the business was only going one way". To avoid being stuck with unwanted shares it could not sell, Schroders cut its marketmaking activities.

However, Ms Pain says that Schroders is currently completing arrangements for a new marketmaker in the fund's IDRs. She declines to name the broker but says it is one specialising in investment trusts.

Meanwhile, Ms Pain argues, the recent drop in turnover on the Athens Stock Exchange would force asset sales at rock-bottom prices and would not be in shareholders' best interests.

Schroders itself owns 0.53 per cent of the fund's IDRs and controls another 26.11 per cent beneficially. Schroders says it will urge its clients to vote against the proposal.

Mr Jay Lightburn, a Paris-based lawyer representing the dissident shareholders, says that, though a new marketmaker is a welcome development, the move should have been made a long time ago.

Meanwhile, Mr Lightburn says, Schroders is doing its own clients a disservice by recommending that they vote against measures which would improve liquidity.

Treasuries weaken amid fears on monetary policy

By **Patrick Harverson** in New York and **Simon London** in London

THE SHARP sell-off in the Treasury market continued at a less hectic pace yesterday, although fears about future monetary policy and inflation kept bond prices weak in relatively light trading.

By midday the benchmark 30-year government bond was down ⅛ at 100⅜, yielding 8.09 per cent. The two-year note was also weaker, down 1/16 at 100⅝, to carry a yield of 6.001 per cent.

GOVERNMENT BONDS

After two big declines in three days, trading settled down. The underlying tone of the market, however, was still one of weakness, with dealers and investors unsettled by the possibility that the Bush administration might push through Congress a package of tax cuts as a means of stimulating the economy. The worry is that if taxes were cut (the president especially wants to lower the capital gains tax), monetary policy would have to be put on hold. That would mean no more interest-rate reductions.

Yet the likelihood of a fiscal policy package being introduced is some way off, so the market's recent declines have as much to do about inflationary and supply worries as they do about taxes. Last week's bigger-than-expected rise in September consumer prices still troubles participants, and concern about inflation has been heightened by forecasts published on Monday that commodity prices are on the verge of a long-term upward trend.

Prices have also been hurt by concern about the effect on the market of big coming government securities auctions. The Treasury is due to sell $13.5bn of two-year notes today, and if it is as unsuccessful as the last big auction (the October 9 sale of seven-year notes), then an already weakened market could take a further dive.

■ UK GOVERNMENT bond prices showed resilience yesterday, unmoved by current account data for September which showed domestic demand and the export performance of UK companies both flagging.

The benchmark 11¾ per cent gilt maturing 2003/2007 closed at 112¾, up ⅜ of a point on the day, for a yield of 9.87 per cent.

The December gilt future on the London International Financial Futures Exchange closed at 94.03, up from an opening of 93.30. Volume was a moderate 24,000 contracts.

Trade figures for September showed a £539m current account deficit, against a £599m deficit in August. The headline figure was in line with market expectations.

However, analysts pointed out that both imports and exports had weakened during the month, by 4.8 per cent and 4.5 per cent respectively.

The downward trend in export growth was seen as a sign that the UK economy as a whole is unlikely to benefit from an export-led recovery. Yet domestic demand remains weak and is unlikely to stimulate economic growth.

On a more positive note, the pound stabilised on the foreign exchange markets and stood at DM2.905 by late afternoon, similar to Monday's closing levels. However, while the UK currency remains near the bottom of its permitted range within the European exchange rate mechanism, further cuts in interest rates are unlikely.

■ JAPANESE government bond prices fell overnight in Tokyo, following the pattern of the US treasury bond market and reacting to signs that money-market interest rates are being maintained at high levels by the authorities.

The benchmark government bond issue No 129 closed the day on a yield of 5.83 per cent, against 5.76 per cent on Monday. The December bond futures contract closed at 11.26, from 100.56 on Monday, with volume of 56,000 contracts.

Analysts said that the Bank of Japan made a smaller injection of liquidity into the money markets than many operators had been expecting. The resulting liquidity squeeze prevented short money interest rates falling in anticipation of a general easing of monetary conditions.

The bank's action was taken as a sign that the authorities want to damp expectations of a cut in the overnight discount rate, currently 5.5 per cent.

Bond prices were also depressed by the weakness of the yen on the foreign exchange markets.

■ GERMAN government bond prices opened lower yesterday, following sharp falls in US treasury bond prices on Monday, but stabilised later.

The benchmark 8¾ per cent bund closed at 99.64 for a yield of 8.30 per cent. The December bund futures contract on Liffe closed at 85.81, down slightly from an opening level of 85.85. Volume was a heavy 48,000 contracts.

Analysts said they were waiting to see if overseas buyers would return to the bund market following the recent decline in prices. The rally in bund prices from August onwards was seen as driven by international investment. International investors cut exposure to German government bonds following re-unification, but until the recent correction, had started to rebuild portfolio holdings of bunds.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	111.9700	-0.490	10.08	-	-
BELGIUM		9.000	06/01	99.4000	-0.100	9.09	-	-
CANADA *		9.750	12/01	104.3000	-0.100	9.09	-	-
DENMARK		9.000	11/00	100.4700	-0.50	8.92	-	-
FRANCE	BTAN	8.500	11/96	98.3000	-0.080	8.92	-	-
	OAT	9.500	01/01	104.3300	-0.150	8.78	-	-
GERMANY		8.750	08/01	102.6400	-0.210	8.34	-	-
ITALY		12.500	03/01	100.7700	-0.100	12.73	-	-
JAPAN	No 119	4.800	06/99	92.9700	-0.090	6.15	-	-
	No 129	6.400	03/00	103.1900	-0.200	5.84	-	-
NETHERLANDS		8.500	03/01	98.3500	-0.080	8.76	-	-
SPAIN		11.900	07/96	101.0900	-0.090	11.53	-	-
UK GILTS		10.000	11/96	100-20	+1/32	9.84	-	-
		10.000	02/01	100-30	+6/32	9.83	-	-
		9.000	10/08	94-30	+10/32	9.61	-	-
US TREASURY *		7.875	08/01	101-14	-6/32	7.65	-	-
		8.125	08/21	100-13	-34/32	8.08	-	-

London closing, *denotes New York morning session. Prices: US, UK in 32nds., others in decimal

Yields: Local market standard. Technical Data/ATLAS Price Sources

Government Bonds table is incomplete due to technical problems

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:00 pm on October 22

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Conv. date	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Conv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Trickle of deals emerges in spite of slowed activity

By Tracy Corrigan

INTERNATIONAL BONDS

THE REVERSAL of fortune experienced by most government bond markets this week stalled activity in the Eurobond market, although a trickle of retail-driven deals continued to emerge.

Uncertainty about the direction of government bonds is likely to cast a shadow over the Eurobond market for the rest of the week, unless positive sentiment returns to the European market.

Banque Nationale de Paris, the French bank, launched a C$100m six-year deal which is targeted at European retail investors.

It was sold before the issue came under pressure from a weakening market, according to the lead manager, Hambros Bank.

The deal lost some ground later in the day due to a sell-off in the Canadian market, to close at 99.15 bid, still slightly inside full fees.

The spread tightened from 44 basis points at the deal's launch to 39 basis points above the comparable government bond.

Meanwhile, the Japanese equity-linked sector has benefited from the improved performance of the Japanese stock market, as well as from the lull in new issue activity.

Sun Wave Corporation, a Japanese stainless steel sink manufacturer on the second section of the Japanese stock market, launched a $100m four-year deal.

The issue performed well, rising to a substantial premium above its par issue price at 106½ bid.

In the Swiss market, a SFr100m deal for Nippon Chemiphar, via Banque Paribas, was bid at a premium of 2¾ points above its par issue price.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Sun Wave Corp(a)♦	100	4	100	1995	2¼/1½	Daiwa Europe
CANADIAN DOLLARS						
Bque.Nationale d'Paris(a)†	100	9	101	1997	1⅞/1⅛	Hambros Bank
SWISS FRANCS						
Bayerische Hypotheken(a)‡†	100	7½	102	1996	-	Swiss Volksbank
Nippon Chemiphar(a)♦†	100	4½	100	1995	-	Bque Paribas (Suisse)

♦Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable.

Ford to raise $750m in stock issue

By Sara Webb

INTERNATIONAL EQUITY ISSUES

FORD Motor, the second biggest US motor manufacturer, is planning to raise $750m in the US and international markets with a convertible preference stock issue.

Ford is the last of the three big US motor manufacturers to come to the international equity markets with a large offering in the space of six months.

The proceeds of Ford's convertible preference stock issue will be used for general corporate purposes. A total of 15m new shares will be issued, with 10 per cent of the issue due to be offered internationally.

Goldman Sachs and Merrill Lynch are lead managers for the issue, which has already been filed with the Securities and Exchange Commission. The pricing is due to take place in the first half of November.

Both General Motors and Chrysler, the other two large US car makers, have raised new money this year in the international equity markets.

General Motors raised $737m from US and international investors in the summer using Percs (or preference equity redemption cumulative stock), a proprietary product devised by Morgan Stanley. The money was raised for general financing purposes. Chrysler raised $354m in October through the sale of 35m shares of its common stock. The offering was increased from 33m to 35m following over-subscription.

Salomon close to deal on $2bn credit

SALOMON Brothers, the Wall Street securities house at the centre of a US Treasury market bid-rigging scandal, is close to completing the negotiations on a $2bn credit line with J.P. Morgan and Citicorp, writes Patrick Harverson in New York.

The credit facility will be a vote of confidence for Salomon as it searches for alternative financing in the wake of the scandal. US investors have been cautious about lending to the firm since it admitted in August to breaking government rules while bidding for new Treasury securities.

Salomon's short-term borrowings on the commercial paper market have declined significantly since the summer, with the total of commercial paper outstanding falling from $8bn in August to a current level of $1.7bn.

European Bourse Reform: Spain's rapid change has yet to prove painful for brokers

Downside emerges after fairy-tale beginning

CARMELO Lacaci has a great office near the top of the tallest building in Madrid. The view from outside is fantastic. It is almost as impressive inside as well. Down the corridor a room full of dealers and sales people are barking into telephones and checking blinking screens. The people are young – Mr Lacaci is 38 – and the atmosphere drips with confidence and success.

He is a founding partner in Banesto, Lombardia & Lacaci, one of the big six broking houses in Madrid and a chief beneficiary of the reform imposed on a fearful and resentful stock market in the summer of 1989 by the Spanish government.

He used to be a stock market agent, a glorified notary, collecting considerable commissions on share transactions with most of his time spent on the floor of the Madrid stock market for the 10-minute morning call trading sessions set aside for each quoted sector. The work was noisy and the market was, for outsiders, almost opaque.

The government had recognised years before that a country requiring as much capital as Spain was not going to build up a durable capital market without radical change.

It forced the notaries to become brokers and to capitalise themselves. Fixed commissions would disappear and the brokers would have to compete. The markets themselves decided to introduce an unheard-of level of transparency by computerising and trading continuously.

Madrid created a strict watchdog for the markets, and the last piece of the reform is about to fall into place with the introduction of a fast, centralised, settlements system.

"The markets have changed completely," says Mr Lacaci. "I used to spend all day on the floor. Now I spend about five minutes on the broking business."

Few people watching the change – and the incredible speed with which it was implemented – believed it could have been done without spilling blood.

That is just what happened.

Of the 54 broking firms created in Madrid by the reform – some notaries joined forces to start independent houses, some were bought up by big Spanish banks and some have gone it alone – all are still operating. Practically all of the leading quoted companies in Madrid are now traded in real time on the continuous market. In the next few months the country's four markets – Madrid, Barcelona, Bilbao and Valencia – are to introduce a centralised daily settlements system, with liquidation promised seven days after a trade, instead of on the Friday of the following week.

The Comision Nacional del Mercado de Valores, the watchdog, has proved to be a terrier, levelling fines worth some $4m against brokers who have violated market regulations and overseeing 44 formal takeover offers. It recently began forcing companies to declare the size of their treasury stock in an effort to bring more transparency to an old Spanish practice of support buying, particularly among banks.

The fairy-tale beginning has had its downside. The fact that all 54 brokers have survived in a slow market raises questions about the level of competition in the bourses. This summer Mr Pedro Guerrero resigned unexpectedly as chairman of the Madrid exchange, apparently frustrated at the pace at which the market culture was developing.

With Spain's big banks running four of the five biggest brokers, and those brokers, in turn, doing the bulk of their business in the shares of the owning bank, there is still an undercurrent of unease about the transparency of the market. At the moment Banco Bilbao Vizcaya's broker, BBV Interactivos, has the largest share of trades in Madrid, with 9.24 per cent of the market in the second quarter of this year.

Also, more than 20 of the original brokers survive with market shares of less than 1 per cent. "Everyone thought there would be fewer companies by now," says Mr Ignacio Garcia at FG, the largest broker not owned by a bank or a foreign partner. Some larger rivals believe the small houses are simply living off capital invested in the debt markets.

The high survival rate has forced bigger firms to find business in fund management and other investment banking services.

Both the bank and foreign-controlled brokers, plus the bigger independents, have invested heavily in analysis, with investors being flooded in the past two years with new research opinions from Madrid. The effort is directed mostly at foreigners, who account for about half the volume in the Madrid market.

This research-led competition is likely to sharpen significantly next year when commissions are liberalised. At the moment, foreign and domestic investors pay a 0.25 per cent broking fee on transactions, and foreigners pay another 0.3 per cent settlement fee to the banks, which still do most of the transfers.

The 0.3 per cent fee is likely to come under heavy pressure, brokers say, and many large brokers have already stopped doing business with banks at that rate.

Some people believe the bank fee could disappear altogether, thus significantly cutting the cost of doing business with the Spanish markets from abroad. Others suggest that the 0.25 per cent broking fee could also weaken (many smaller houses already offer small discounts) after the commissions floor is removed.

Larger brokers believe they will be able to cope with narrower margins because the market is widening at the same time. Before the end of this year the country's two rival derivatives markets – the Meff in Barcelona and the Mofex in Madrid – should finally have sorted out a long-running territory scuffle. Meff is likely to concentrate solely on futures and options in bonds and currencies, while Mofex will do variable rate securities and a 35-share Reuters index.

That will bring new liquidity to the market just as a new phenomenon in Spain – unit trusts – have raised hopes that the country might finally begin to generate its own long-term investment capital base. Unit trusts exploded this autumn following the introduction of generous capital gains treatment of cash withdrawn from the funds.

"The tax breaks are fantastic," says Mr Garcia at FG, "and some of the money in the funds will have to come to the stock market." It is an enthusiasm echoed by Mr Lacaci. "The change in the tax treatment of unit trusts is almost more important than the market reform itself," he says.

Peter Bruce

Articles on the French, Dutch, Italian, German and Swedish bourses appeared on September 26, October 4, October 9, October 11 and October 17.

SPAIN'S TOP SIX BROKERAGES: JANUARY 1-SEPTEMBER 30 1991

	Volume traded Pta bn	Market share %	Most heavily traded share
BBV Interactivos	424.7	7.63	Banco Bilbao Vizcaya*
BSN	408.0	7.29	Banco Santander*
FG	334.2	6.05	Telefonica
Asesores Bursatiles	288.3	5.18	Telefonica
Hispanos	275.8	4.95	Banco Hispano Americano*
Banesto L & L	240.5	4.32	Banesto*

*Controlling group. Source: Expansion

New Zealand futures exchange rejects bid by London Fox

By Terry Hall in Wellington and Tracy Corrigan in London

THE New Zealand Futures and Options Exchange (NZFOE) yesterday formally rejected the takeover offer by London's Futures and Options Exchange (Fox) following problems on the UK exchange.

Mr Len Ward, NZFOE chairman, said the board had withdrawn its recommendation to ratify the London Fox agreement. It had been accepted in August, but the sale process was delayed by a need for London Fox to make technical changes to its bid because of threats of legal action by Mr Jordan Sandman Were, a former NZFOE member, over losses incurred by Mr Stephen Francis, a former London-based dealer.

The changes were to have been ratified at a meeting in Auckland on October 8, but the session was adjourned following revelations of alleged trading irregularities in London, and the resignations of Mr Mark Blundell, the chief executive, and Mr Saxon Tate, the chairman, a fortnight ago.

Mr Ward said he could not say whether the decision marked the end of London interest, as there had been no contact with London over the matter. "You would have to ask them," he said.

Negotiations are continuing with a rival bid from the Sydney exchange over what is described as the form and content of their offer.

Later, London Fox confirmed that it would not pursue its takeover of NZFOE. Mr Phillip Thorpe, chief executive of the London Fox, said yesterday that while he regretted the lost opportunity, he understood the reasons for the NZFOE decision.

In a letter to the NZFOE, Mr Thorpe acknowledged that London Fox's priority in coming weeks must be its core activities, and it would be unable to devote the necessary resources to the NZFOE bid.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Oct 22 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Oct 21 Index No.	Fri Oct 18 Index No.	Thu Oct 17 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (181)	813.68	-0.7	9.45	5.97	13.26	30.83	819.23	825.54	826.44	718.62
2 Building Materials (23)	987.74	-0.1	7.49	6.31	17.59	41.32	988.69	995.95	1000.97	974.85
3 Contracting, Construction (30)	1062.69	-0.5	8.56	6.92	16.06	49.81	1067.66	1065.83	1068.11	1164.15
4 Electricals (11)	2494.38	-1.0	8.76	5.29	14.46	84.23	2519.93	2534.85	2533.95	1876.78
5 Electronics (25)	1725.40	-1.0	11.08	5.52	11.42	50.62	1743.41	1757.43	1761.61	1589.05
6 Engineering-Aerospace (8)	355.69	-	15.65	7.26	7.71	16.48	359.53	356.71	356.71	419.76
7 Engineering-General (43)	485.48	-0.5	10.07	5.23	12.27	16.55	487.80	489.69	489.95	357.90
8 Metals and Metal Forming (9)	430.76	-1.1	15.27	8.23	7.95	17.48	435.60	438.06	437.65	407.40
9 Motors (12)	340.25	-2.3	6.98	7.08	19.60	14.65	348.20	346.90	347.90	278.79
10 Other Industrial Materials (20)	1579.09	-0.9	8.01	5.16	14.84	56.92	1594.05	1615.58	1613.04	1209.65
21 CONSUMER GROUP (190)	1549.66	-0.4	7.37	3.60	16.78	33.59	1555.30	1568.42	1558.01	1220.75
22 Brewers and Distillers (22)	1932.93	-	7.97	3.48	15.27	38.33	1932.55	1937.20	1946.36	1526.94
25 Food Manufacturing (19)	1221.27	+0.2	9.29	4.09	13.30	29.98	1218.48	1217.84	1215.89	1020.25
26 Food Retailing (17)	2460.35	-0.2	8.94	3.30	14.61	50.36	2464.98	2478.97	2485.53	2374.89
27 Health and Household (23)	3732.13	-1.0	5.42	2.54	21.18	61.57	3768.83	3804.28	3746.68	2405.24
29 Hotels and Leisure (24)	1329.63	-0.5	7.66	5.30	16.13	45.61	1336.16	1356.94	1337.38	1212.07
31 Media (26)	1523.72	-1.1	7.06	4.66	18.49	44.30	1539.90	1547.14	1545.42	0.00
34 Packaging, Paper & Printing (17)	765.40	-	7.34	4.27	16.54	22.51	764.95	763.10	761.74	487.32
35 Stores (33)	1004.88	-0.1	7.40	3.69	17.71	19.48	1005.60	1018.87	1014.40	817.30
36 Textiles (9)	637.08	-	7.26	4.88	17.48	15.49	637.27	637.20	632.67	427.38
40 OTHER GROUPS (116)	1266.94	-0.6	9.49	5.12	13.25	35.79	1274.96	1285.30	1277.28	986.28
41 Business Services (12)	1405.44	-0.6	7.59	4.65	16.37	34.95	1412.68	1412.94	1405.54	0.00
42 Chemicals (21)	1453.70	-	6.94	4.98	17.80	48.39	1454.39	1454.91	1445.86	1021.37
43 Conglomerates (11)	1493.21	-0.4	9.69	7.82	12.50	38.76	1498.92	1515.85	1513.45	1345.61
44 Transport (13)	2333.33	-0.2	7.33	4.86	16.90	68.02	2336.85	2344.74	2335.72	1909.05
45 Electricity (16)	1226.95	-1.2	14.32	5.30	9.11	27.53	1241.57	1252.34	1242.92	0.00
46 Telephone Networks (4)	1538.77	-0.6	9.74	3.94	13.44	28.34	1551.51	1567.57	1557.71	1067.87
47 Water (10)	2310.70	-1.6	17.68	5.66	6.26	118.37	2347.47	2349.86	2387.75	1971.30
48 Miscellaneous (25)	1862.89	-0.5	5.29	5.28	24.21	69.91	1872.86	1887.39	1863.85	1549.99
49 INDUSTRIAL GROUP (483)	1278.23	-0.5	8.44	4.53	14.77	34.28	1284.76	1295.28	1288.73	1026.21
51 Oil & Gas (19)	2447.66	-0.7	10.69	5.68	12.37	93.60	2465.41	2490.86	2500.83	2324.12
59 500 SHARE INDEX (500)	1377.97	-0.5	8.72	4.68	14.42	38.99	1385.37	1397.09	1391.61	1132.69
61 FINANCIAL GROUP (91)	782.73	-1.1	-	5.97	-	31.43	791.18	797.96	796.19	696.00
62 Banks (9)	923.63	-1.5	4.51	5.77	41.91	37.46	937.77	941.92	937.17	748.78
65 Insurance (Life) (7)	1449.77	-0.5	-	5.84	-	63.68	1456.88	1478.64	1474.43	1295.56
66 Insurance (Composite) (6)	590.79	-0.9	-	7.43	-	30.72	596.18	606.17	598.36	589.57
67 Insurance (Brokers) (9)	1116.07	-0.4	7.36	6.07	17.79	43.14	1120.45	1129.20	1124.08	844.83
68 Merchant Banks (7)	472.85	-0.7	-	4.46	-	13.08	476.08	475.68	471.53	347.50
69 Property (36)	884.27	-1.0	6.16	5.26	23.02	23.78	893.27	903.36	920.63	945.03
70 Other Financial (17)	260.35	-0.3	11.00	7.06	11.41	10.86	261.06	261.72	261.95	245.12
71 Investment Trusts (70)	1227.43	-0.3	-	3.52	-	27.02	1231.28	1235.99	1231.48	1014.63
99 ALL-SHARE INDEX (661)	1235.05	-0.6	-	4.81	-	36.63	1242.46	1252.83	1248.19	1025.74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 21	Oct 18	Oct 17	Oct 16	Oct 15	Year ago
FT-SE 100 SHARE INDEX‡ ●	2559.5	-16.2	2571.9	2559.5	2575.7	2601.1	2588.7	2579.0	2576.7	2127.0

FIXED INTEREST

PRICE INDICES	Tue Oct 22	Day's change %	Mon Oct 21	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (27)	121.55	-0.04	121.61	1.63	10.20
2 5-15 years (28)	132.92	-0.02	132.94	1.29	11.84
3 Over 15 years (8)	141.76	-0.06	141.85	2.20	10.60
4 Irredeemables (6)	158.82	+0.03	158.78	4.29	8.83
5 All stocks (69)	131.71	-0.03	131.75	1.53	11.29
Index-Linked					
6 Up to 5 years (2)	166.17	....	166.16	0.22	3.16
7 Over 5 years (9)	148.86	+0.07	148.76	0.62	3.83
8 All stocks (11)	150.12	+0.06	150.03	0.56	3.81
9 Debs & Loans (60)	112.52	+0.08	112.43	2.25	8.53

AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 22	Mon Oct 21	Year ago (approx.)
British Government				
1 Low	5 years	8.84	8.83	10.56
2 Coupons	15 years	9.59	9.59	10.82
3 (0%-7¾%)	20 years	9.59	9.59	10.83
4 Medium	5 years	9.86	9.84	11.56
5 Coupons	15 years	9.76	9.75	11.27
6 (8%-10¾%)	20 years	9.71	9.70	11.18
7 High	5 years	10.06	10.04	11.66
8 Coupons	15 years	9.86	9.85	11.51
9 (11%-)	20 years	9.77	9.76	11.44
10 Irredeemables	†	9.78	9.78	11.01
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.82	3.81	4.28
12 Inflation rate 5%	Over 5 yrs.	4.23	4.24	4.39
13 Inflation rate 10%	Up to 5 yrs.	3.17	3.16	3.01
14 Inflation rate 10%	Over 5 yrs.	4.05	4.05	4.20
15 Debs &	5 years	11.49	11.51	13.27
16 Loans	15 years	11.30	11.31	12.77
17	25 years	11.11	11.12	12.44

‡Opening index 2568.9; 9 am 2567.1; 10 am 2570.9; 11 am 2571.4; Noon 2569.6; 1 pm 2567.0; 2 pm 2565.5; 2.30 pm 2562.8; 3 pm 2563.6; 4.10 pm 2561.0; (a) 10.46am (b) 4.27pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991. CONSTITUENT CHANGES: ADDITIONS: Jeyes Group (27), Porter Chadburn (43); DELETIONS: Douglas (RM) (3), Sovereign Oil & Gas (51). ● Due to technical difficulties the FT-SE 100 Share Index was quoted incorrectly in yesterday's paper. Corrected figures: Closing index: 2575.7 -25.4; Day's High: 2601.8; Day's Low 2575.6.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	12	46	25
Corporations, Dominion and Foreign Bonds	7	4	9
Industrials	156	371	968
Financial and Properties	59	189	509
Oils	21	20	49
Plantations	0	0	10
Mines	71	11	71
Others	52	43	45
Totals	378	684	1,686

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Oct. 21
- Last Dealings Nov. 1
- Last Declarations Jan. 23
- For settlement Feb. 3

For rate indications see end of London Share Service

Calls in Amstrad, British Steel and Enterprise Computer. Puts in Brent Walker and Coalite. Puts and calls in Aviva Pet. and Wimpey (G).

LONDON TRADED OPTIONS

[illegible]

October 22 Total Contracts 29,265 Calls 15,121 Puts 14,144 FT-SE Index Calls 2,215 Puts 3,252 Euro FT-SE Calls 26 Puts 477 Eurotrack 100 Index Calls 0 Puts 0 *Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

UK COMPANY NEWS

Effects of any economic recovery unlikely to be felt before 1992-93

McKechnie tumbles 27% to £21m

By Paul Cheeseright, Midlands Correspondent

McKECHNIE, the Walsall-based plastics and metal components group, is maintaining its dividend in spite of a 27 per cent fall in annual profits and a warning that the full effects of economic recovery are unlikely to be seen until 1992-93.

The pre-tax outcome of £20.5m (£28.1m) for the year to July 31 was slightly below market expectations. Earnings per share fell from 23.8p to 17.6p.

A recommended final dividend of 9.75p brings the total for the year to an unchanged 14.75p.

The indications are that the group reached the nadir of its fortunes for the current economic cycle during the past financial year. It made the point that although trading conditions were still deteriorating in some sectors – the UK automotive sector, for example – it was now beginning to feel the beneficial effects of lower gearing.

"If things don't get substantially worse, we will have a tough year on the trading line, but profits will move north because of the balance sheet improvements," said Mr Michael Ost, chief executive.

The sale of three European metals businesses brought in £54m, reducing gearing from 46 per cent to 7 per cent.

The group's working capital turn improved from 4.2 to 6 times.

This improvement came as the group more actively managed its stock levels, took control of its debtors and creditors and invested more in modern management techniques. However, it took against profits a series of once-off costs, including reducing its workforce from an average 7,248 during 1989-90 to about 6,300.

The sale of the metals businesses was the main factor behind a repositioning of the group, so that its activities are now more strongly based on plastics. Indeed, its plastics sector last year saw a 22 per cent increase in sales and now accounts for 40 per cent of group activity.

Total turnover last year declined from £361m to £300m largely reflecting the sale of the metals businesses. Their departure from the trading figures accounted for nearly half of the drop in pre-tax profits.

During the current year Mr Ost expects some volume improvement in the US market, which should help Engineered Custom Plastics, a subsidiary which has been in the throes of restructuring.

He also believes that the Australian economy has reached the bottom of its recession, a factor which, combined with cost-cutting exercises, should result in a profits improvement.

As far as the UK is concerned, little improvement in trading is expected at least until next spring, too late to have a significant impact on the current year figures.

FR slips to £10.4m but shares rise by 10p

By Clare Pearson

FR GROUP, the aviation products company, is increasing its interim dividend despite reporting pre-tax profits down from £10.8m to £10.4m during the six months to end-June.

The shares gained 10p to 177p yesterday. The interim dividend is increased by 5 per cent to 2.34p (2.23p).

Mr Michael Cobham, chairman, said the result was "encouraging in the light of the difficulties which the aerospace and defence industries face both in Europe and the US at this time".

He added that the interim figures reflected implementation of the group's policy of focusing on its core activities and improving productivity.

After a 31 per cent (34 per cent) tax charge, earnings per share edged slightly higher to 9.7p (9.6p). Turnover was £77.4m (£86.7m).

Mr Cobham said most of the group's divisions had performed well during the period apart from Hymatic Engineering, the cooling systems and components concern.

He noted that since the period end FR Aviation, the second largest company in the group, had secured the renewal of a contract to supply surveillance services for the Ministry of Agriculture, Fisheries and Food. The extension was for five years.

Flight Refuelling, the dominant air-to-air refuelling pod business, had recently made the first deliveries in a contract to supply the Canadian forces. Earlier in the year, the requirement for external fuel tanks for the Tornado aircraft had been reinstated by the Ministry of Defence. Production of the tanks will now continue until 1993.

Rationalisation helps Waterford Wedgwood cut losses to I£2.04m

By Tim Coone in Dublin

WATERFORD Wedgwood, the Irish crystal and ceramics manufacturer, yesterday reported sharply lower pre-tax losses of I£2.04m (£1.88m) for the six months to the end of June.

The I£18.3m loss returned during the opening half of the previous year reflected a 14-week strike and heavy rationalisation costs.

Recession and the impact of the Gulf war on tourism cut sales of ceramics to I£103.7m (I£110.7m) and sales of crystal to I£27.1m (I£37.5m).

The company said there was no end in sight to the recession.

The improved manufacturing performance was marked by an increase in operating profits to I£1.1m (I£278,000) and the absence of exceptional or extraordinary items.

Within the total, the crystal division cut its operating loss to I£2.1m (I£3.99m) mainly because of short time working at its Waterford plant.

The ceramics division made an operating profit of I£3.2m (I£4.27m).

Mr Donald Brennan, chairman, said: "It is essential that manufacturing costs are further reduced so that the premium crystal business becomes viable at current demand levels."

Mr Brennan, a managing director of Morgan Stanley, took over as chairman last year after the US investment bank and Mr Tony O'Reilly, the Irish businessman, took a 30 per cent stake in the group.

Kneale Ashwell, chief executive of the ceramics division

Mr Bob Davies, finance director, said that the separation of the company's crystal and ceramic divisions during the first half was enabling much tighter financial control to be exerted on the two arms of the business.

There is hope that the introduction of the new Marquis range of European-manufactured machine and hand-cut crystal into the US last September, aimed at the lower end of the market and sold under the Waterford label, will boost earnings in the coming year.

If successful, it will also be introduced into the UK and European markets. Mr Davies said: "We need a more broadly-based range of products, and the early evidence is that there has been good customer acceptance".

Interest costs fell to I£3.14m (I£8.21m) but net debt rose by I£21.6m to I£59.6m. After tax, the retained loss was I£3.17m (I£22.66m), or 0.45p (3.9p) per share.

Brown & Jackson appoints new adviser

By Norma Cohen, Investments Correspondent

BROWN & Jackson, the troubled retailing group, has appointed Henry Ansbacher as its financial adviser instructing it to conduct a full review of the company's condition.

Ansbacher said it would only accept the appointment if it was understood that it may recommend that Mr Andrew Reid, Brown & Jackson's new chairman, should resign.

Mr Reid has agreed to go, if necessary.

Mr Reid's appointment is being opposed by a group of key institutional shareholders, some of whom are concerned by his support for the former chairman's administration of the company over the past few years.

Shareholders representing roughly 35 per cent of Brown & Jackson shares told Ansbacher earlier this week that they wished to see Mr Reid replaced.

According to Fidelity Investments, holder of 10 per cent of Brown & Jackson's shares, investors voted on the matter at a meeting at Fidelity's offices on Monday.

Ansbacher is replacing UBS Phillips and Drew, dismissed as adviser last June after informing Mr Bryan Duffy, Brown & Jackson's former chairman, that he would have to resign before shareholders would inject needed cash into the company.

Phillips and Drew said that a rights offering would be necessary to avoid a banking crisis.

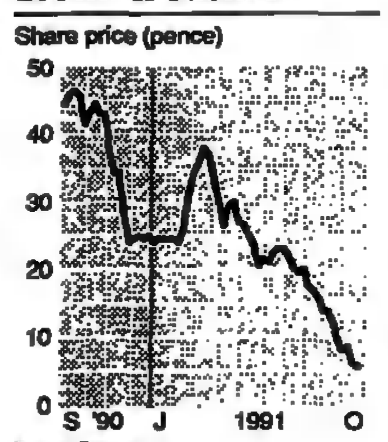
Mr Duffy resigned two weeks ago, saying he would take responsibility for the company's poor financial performance.

He is still seeking to remain with the company as a consultant – a proposal the board is currently considering.

Meanwhile, Brown & Jackson has also appointed Linklaters and Payne as its legal adviser.

The law firm has been asked to review the company's acquisition of its ATI subsidiary and the decision to speed up payments to its former owners.

Brown & Jackson



Source: Datastream

Mr Duffy held a 12.5 per cent interest in ATI before his company acquired it and stood to benefit from the faster payments.

NEWS DIGEST

'Depressed' outcome at Densitron

DENSITRON International, the electronic components group, reported a modest increase in taxable profits for the six months to end-June.

However, directors regarded the outcome – up from £376,000 to £400,000 – as "depressed" and omitted the interim dividend (0.7p).

Profits were struck after sharply higher net interest charges of £323,000 (£140,000) and after losses of £129,000 (profits of £7,000) from joint ventures.

Turnover totalled £25.6m (£19.4m). The recession led to reduced orders and sales in the UK and US and while increased sales were achieved in Asia, margins suffered.

Earnings per share declined to 0.56p (1.13p).

Improved net asset values at Exmoor

Exmoor Dual Investment Trust reported improved net asset values in its three classes of shares over the year to August 31.

Net asset value per ordinary share rose from 88.5p to 89.5p; per income share from 60.4p to 64p and per zero coupon preference share from 127.7p to 144.3p.

Net revenue advanced to £978,052 (£865,129) for earnings of 11.08p (9.81p) per income share and 1.96p (1.72p) per ordinary share.

A proposed final dividend of 2.75p per income share brings the total for the year to 10.5p (9.6p). The single distribution per ordinary share is raised from 1.685p to 1.84p.

Petrocon lower as surveying suffers

Difficult trading conditions, particularly in its surveying and cartographic division, resulted in a 33 per cent decline in interim profits at Petrocon Group, the Surrey-based surveying and engineering company.

The fall in the six months to June 30 – from £769,000 to £518,000 – came despite a 61 per cent expansion in turnover to £9.2m (£5.7m).

Earnings dropped from 2.31p to 1.18p but the interim dividend is maintained at 0.625p.

An extraordinary charge of £169,000 (£248,000) related mainly to losses on a property disposal.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied Ldn Props	fin	2.455	-	2.455	3.53	3.53
De La Rue	int	3.5	Jan 2	3.25	-	13.75
Densitron Intl	int	nil	-	0.7	-	1.7
Edinburgh Inv	int	2.85	Dec 3	2.75	-	7.7
Exmoor Dual	fin	1.84	Dec 6	1.685	1.84	1.685
Exmoor Dual Inc	fin	2.75	Dec 6	2.6	10.5	9.6
FR	int	2.34	Dec 12	2.23	-	6.37
McKechnie	fin	9.75†	Jan 15	9.75	14.75	14.75
Petrocon	int	0.625†	Dec 10	0.625	-	1.25
Pressac	int	1.65†	Dec 4	1.65	2.4	2.4
UDO	fin	4.13	Dec 5	3.24	5.75	4.59
Wolseley	fin	9	Jan 31	8	12.1	12.1

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option.

Pressac drops to £1.82m as demand weakens in second half

By Peter Franklin

PRESSAC HOLDINGS, the specialist electro-mechanical component manufacturer, announced a 32 per cent fall in taxable profits for the year to end-July.

Mr Roger Boissier, chairman, said at the interim stage that there had been signs of weakening demand but the downturn had proved much more severe than expected, especially in the last quarter.

He said the recession, which affected almost all areas of trading, was "the worst that many of us have ever experienced".

Profits declined from £2.68m to £1.82m. Turnover expanded 6 per cent, from £32.4m to £34.5m, reflecting the first full-year contribution from PJ Mason, the neon sign component manufacturer acquired for £5m in February 1990.

Stripping out the sales attributable to Mason, turnover would have been static, said Mr Geoff White, chief executive.

At the operating level profits fell by only 12 per cent, from £3.11m to £2.73m. However, increased borrowings arising from the acquisition meant that interest charges more than doubled from £437,000 to £912,000.

The rights issue earlier this year raised £5.7m for expansion of automotive component facilities in the US and the UK.

This programme was proceeding as planned, said Mr White, but cash outflow so far had been low, with the result that gearing at the year-end was reduced from 62 per cent to 13 per cent.

Capital expenditure in the period under review was £2.6m. In the current year that figure would rise to about £5.5m. Gearing was expected to be in the low 30s at the end of the 1992 year, Mr White said.

Earnings per share were down 42 per cent to 5.38p (9.25p), but the final dividend is maintained at 1.65p for a same-again total of 2.4p.

Productivity in all areas had improved with greater market share being achieved in all of the group's key markets.

The directors were particularly pleased with new business from Japanese motor manufacturers won by the automotive division.

Mr Boissier said the group was entering the new period slimmer and fitter – 135 jobs had been shed in January, the workforce had not had a pay rise for 14 months and the board had refused salary increases for 18 months.

UK COMPANY NEWS

Construction companies deny responsibility for rising expenditure

Channel tunnel costs row deepens

By Andrew Taylor, Construction Correspondent

BRITISH and French construction companies building the Channel tunnel will today seek to rebut accusations that they, rather than Eurotunnel, are financially responsible for most of the huge rise in the project's cost.

The 10 companies will hold a press conference in Paris to state their case in the increasingly bitter dispute over costs with the project's operators.

The row has prompted the contractors to threaten to halt work on those parts of the project which they say have been redesigned by Eurotunnel and for which they are being paid insufficient money.

Eurotunnel is seeking a court injunction to prevent the 10 from carrying out their threat. The hearing was adjourned last week to allow time for further evidence.

Today will be only the second time in three years that the construction companies have aired their views in public. The previous occasion was also over a row with Eurotunnel about tunneling delays.

The terms of the construction contract normally prohibit the contractors from discussing the progress of the project with the press. The 10 companies are Balfour Beatty, Costain, Tarmac, Taylor Woodrow and Wimpey of the UK and Bouygues, Dumez, Société Auxiliaire d'Entreprises, Société Générale d'Entreprises and Spie Batignolles of France.

Today's conference was prompted, in part, by the desire of the construction companies to stem the sharp slide in their share prices which has occurred since the row over costs resurfaced at the beginning of this month.

The falls were due to fears that the companies may have to make substantial provisions should their claims for additional payments fail.

Transmanche Link, the consortium formed by the 10 to build the project, has claimed £800m at 1985 prices, about £1.2bn at current prices, to cover the increased cost of fitting out the twin rail tunnels between Britain and France and building two passenger terminals at Folkestone, Kent and Sangatte, northern France.

British contractors said yesterday that they were concerned that the claim might be misinterpreted as indicating that the 10 could face losses of more than £1bn if their demands were unsuccessful.

A senior executive of one company said: "That would assume that we are seeking only to break-even as a result of the claims which would be misguided. The claim includes an element of profit for the job."

Contractors also point out that Eurotunnel has set aside £200m at 1985 prices to meet claims. This represents about 20 per cent of the additional money being sought by the construction companies.

In addition, the contractors are sitting on big profits from the Eurotunnel shares and warrants they received as founder sponsors and shareholders of the project.

Construction companies in a bid to protect their share prices are expected to insist that they will not carry out any work on the project for which resources have not been provided by Eurotunnel.

There are differences of opinion between the contractors over whether some provisions ought to be made against the contract. Taylor Woodrow, the British construction and property group, is one company which is understood to be in favour of making a provision, thought to be in the region of £10m. The other British contractors have opposed making provisions.

Several French contractors also said they might announce provisions.

Threats to stop work have taken over from the euphoria of earlier days

Maxwell companies sell SelecTV stake for £3m

By Bronwen Maddox

COMPANIES controlled by Mr Robert Maxwell, the publisher, have raised around £3m by the sale of a stake in SelecTV, the USM-quoted television production company which was part of the consortium that last week won the broadcasting franchise for south east England.

Maxwell Communication Corporation, one of Mr Maxwell's publicly-listed companies, sold 9.3m shares, and Headington Holdings, the privately-controlled parent of AGB International, the market research company, sold 3.5m shares.

The price was undisclosed but at yesterday's closing price of 24p the stakes would have been worth £3.05m.

SelecTV, which is known for Birds of a Feather and Auf Wiedersehen Pet, has a 15 per cent stake in Meridian Broadcasting, which from January 1993 will replace TVS Entertainment as broadcaster to one of the most lucrative regions in independent television.

The sale continues a recent pattern of disposals of peripheral businesses and minority stakes by companies controlled by Mr Maxwell.

Multitrust

Multitrust net asset value was 42.4p per share at June 30, up from 40.1p at end of previous nine-month period. Net revenue for year was £10,657 (loss of £15,353). Dividend is 2p.

Wolseley in 'healthy state' in spite of decline to £80m

By Clare Pearson

WOLSELEY, the plumbing and building materials group, yesterday said it had emerged from severe recession in the building industry during the year to end-June in a healthy financial state.

Unveiling pre-tax profits down from £120.7m to £80.3m, Mr Jeremy Lancaster, chairman, said that net debt had fallen by £21.5m during the year, leaving gearing at 19.5 per cent (28.4 per cent).

Interest charges of £8.3m (£9m) were more than 10 times covered by trading profits of £88.6m (£129.7m).

Mr Lancaster said the company would look at acquisition opportunities "provided the price" was right.

But he admitted that he suspected the company had paid too much for Needwood, the builders' merchant bought from the receivers for about £26m in June last year.

Needwood incurred a trading loss of £3.7m but Mr Lancaster said the company had been reorganised and there were further benefits from streamlining to come.

● COMMENT

Most analysts got the hint a few weeks ago to downgrade expectations of the 1991 outcome, so these results sent no shudders through the City yesterday. What is now concerning people is the profound caution displayed by Mr Lancaster – who goes back a good few years in the business – about what this year will hold. Pre-tax profits at pretty well repeat levels are now in view: really a further fall since that forecast would exclude the £11m worth of provisions. That said, Wolseley is still performing better than its peers in dire conditions: Plumb Center seems to be improving its already dominant market share, for instance. So if the end of the recession really is going to be a long-drawn out affair, it makes all the more sense to prefer Wolseley's shares over those elsewhere in the sector. However, that opinion seems already fully reflected in a lofty prospective p/e of 16 or so.

Edinburgh Investment net assets rise to 273.6p

By David Barchard

THE EDINBURGH Investment Trust – the UK's second largest investment trust – reported net asset value ahead by 4.2 per cent to 273.6p per share at September 30, up from 262.5p a year earlier.

The increase was slightly below the 6.1 per cent rise in the FT-A All-Share index as the UK market – which accounts for about two thirds of the portfolio – outperformed most other markets.

Net revenue for the six months to end-September amounted to £11.6m, down from £12.8m a year earlier, but income from investments rose from £17.7m to £21.4m.

Earnings per share dipped to 3.94p (4.34p) but the interim dividend goes up by 0.1p to 2.85p.

At the period end, 33.7 per cent of the portfolio was invested outside the UK, with continental Europe taking 11.5 per cent; Japan 9.2 per cent; North America 8.5 per cent and the Far East 4.4 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

TODAY

Interims- British & American Film, Craig & Rose, Plasticeal, Wassum.

Finals- Attwoods, Smiths Industries.

FUTURE DATES

Interims-	
Aberdeen Petroleum	Oct. 24
Abtrust New European	Oct. 30
Abtrust New Thai	Oct. 25
Acorn Computer	Oct. 29
Alpine	Oct. 29
Appleby Westwood	Nov. 7
Betterware Consumer Prods	Nov. 11
Blacks Leisure	Oct. 28
Bradford Property Trust	Oct. 29
Castle Mill Intl	Oct. 25
East Midlands Electricity	Dec. 4
Fleming Universal Inv	Oct. 31
Powell Duffryn	Nov. 14
Prowting	Nov. 1
TDS Circuits	Nov. 1
Thames TV	Oct. [illegible]
Usher-Walker	Oct. 30
Vosper Thornycroft	Nov. 20
Finals-	
Harmony Leisure	Oct. 29
Low (Wm)	Nov. 7
Manganese Bronze	Nov. 1
Sidlaw	Nov. 11
Sycamore	Dec. 12
VTR	Nov. 4

Provisions leave Allied London £4.8m in the red

HEFTY PROVISIONS to cover falling land bank values left Allied London Properties £4.76m in the red at the pre-tax level for the year to end-June.

The shares closed 6p lower at 86p.

For the preceding 12 months the London-based property investor and housebuilder returned profits of £6.07m.

The provisions amounted to £10m, of which £8m was provided for at the six months' stage.

Sir Geoffrey Leigh, chairman, said yesterday that a further deterioration in market conditions had prompted the board to provide an additional £2m against housebuilding land and work-in-progress during the second half.

Rental income increased to £15.3m (£13.2m) but trading profits slipped from £4.23m to £3.05m. Other income amounted to £1.17m (£2.68m).

Losses per share worked through at 10p (earnings 4.4p) but a same-again final dividend of 2.455p makes an unchanged 3.53p total.

Sir Geoffrey pointed out that the balance sheet remained strong and that following reductions in interest rates there were "indications of the beginning of a return of confidence in certain sectors of the property market".

Net asset value per share totalled 123p (191p). Fully diluted the figure was 121p (166p).

UK COMPANY NEWS

Aiming to join the first division at a stroke

John Authers and Scheherazade Daneshkhu on Sanwa Bank's launch into unit trusts

THE unit trust industry reacted with astonishment to the news that Sanwa Bank, of Japan, is simultaneously launching 10 authorised UK unit trusts. A typical reaction was that "it's certainly a challenge".

The move is quite simply unprecedented. Nobody seems to be able to understand it.

No Japanese company has launched a UK-authorised unit trust before, although Mitsubishi has some funds based in Dublin. A planned move by Nomura, the securities house, to launch a UK unit trust some years ago was eventually abandoned.

Sanwa does not have a strong reputation in fund management, and is best known as a retail bank in Japan.

The move also flouts established industry wisdom on trust launches. Usually they are launched one at a time, with heavy marketing support.

And this may not be the best time to launch into the market. Sales are picking up, but the industry has still not fully recovered from the damage to investor confidence caused by the "Black Monday" crash of 1987.

For example, the Unit Trust Association's sales and investment figures for September, released yesterday, showed the value of funds at £58.3bn, down slightly on August's £58.6bn. September net new investment, at £358m, was £137m higher than the previous month, but there is no obvious need for another 10 trusts.

Sanwa was quite clear at its bullish launch that it aimed to join the first division of international banks, offering high class service on all its operations, including retailing, merchant banking and fund management.

Dr Arjuna Sittampalam, managing director of Sanwa International, admitted that the timing was unusual. He said: "The only reason we are launching now is because we are ready."

Its move to penetrate the UK unit trust industry comes ahead of the liberalisation of the Japanese financial system, where the reform of Article 65 of the Securities and Exchange law – Japan's version of the Glass-Steagall Act in the US – will enable banks and brokerages to enter each other's activities through subsidiaries.

Japanese banks are moving toward the reform, expected to be implemented in 1993, and have rushed to acquire expertise of the securities business through overseas securities subsidiaries, and by sending employees to train at brokerages.

"Sanwa is one of the more prominent banks with aspirations to break into the securities market, and the move is to acquire experience," says Ms Alicia Ogawa, banking analyst at brokers SG Warburg.

But Sanwa, hesitant to connect the move to the bank's domestic policy, said it needed to increase its presence in overseas fund management operations. "We're trying to establish a track record in order to move into operations such as pension fund management," said a Japan-based Sanwa official.

Sanwa stresses that while it is looking at the unit trust business with a long-term view, it is not ready to take losses on the business. Certainly, the bank's resources make it much easier to take a long view and wait for performance figures to establish themselves than it would be for one of the smaller specialist UK fund management groups.

There has been some surprise that Sanwa did not opt to enter the UK via an acquisition. The industry is currently overcrowded – more than 1,400 trusts are on the market – and "a lot of those are gritting their teeth and hanging on," according to one unit trust manager.

Sanwa examined this option, but found that very few of the available funds offered attractive value for money. Several companies hold portfolios of stocks which have underperformed, and taking them over would be a dubious honour, which might get a new management group off to a bad start.

Sanwa has set itself an enormous task. Its name recognition in the UK is low, and there are already many well-established companies with strong brand loyalty

Another problem is that buying an existing fund management group might not help to improve Sanwa's name awareness. Mr Sittampalam points to the fact that Morgan Grenfell products still trade under the Morgan Grenfell name following the group's acquisition by Deutsche Bank.

Instead, Sanwa opted to try for organic growth, and spent much time earlier this year head-hunting fund managers, mostly from established UK fund managers. The idea is that they can start from scratch, with a patient set of funds to work with. Provided Sanwa has succeeded in finding good managers, they will be able to deliver strong performance.

Sanwa's net has been spread wide, and managers have been recruited from several companies, including BZW, Equitable Life, Kleinwort Benson, Legal & General, National Provident Institution and the Royal Bank of Canada.

But Sanwa has set itself an enormous task. Its name recognition in the UK is low, and there are already many well-established companies with strong brand loyalty. Sanwa admits that its name, similar, to British ears, to Sanyo or Sony, will be a problem.

Figures in the industry suggest that the bank has little understanding of the UK unit trust market, and will not be able to win over the networks of intermediaries which already have close links with other fund management groups.

Initially the trusts have been launched to institutions (and some big intermediaries), and many trust managers believe that the funds will stay limited to the institutions.

There was also surprise that Sanwa did not launch its trusts one at a time, or start with a a single index-linked unit trust, aiming for about £50m in funds. Index-linked, or "tracker" funds have proved very popular in the US. They are cheaper to run than normal actively managed trusts, which attempt to beat the index, and so investors need to pay much less in a front-end fee.

However, Dr Sittampalam rejected this route because the low charges would make it very difficult to make a profit at first. Also, Sanwa thought it more important to launch a range of standard unit trusts, rather than confuse customers with a more unusual offering.

Instead, Sanwa has opted for a very low marketing budget at first, and intends to increase its advertising only when it has established a track record. Other perks for private investors, such as personal equity plans and regular saving schemes, will be launched in due course.

For the time being, Sanwa is aiming for only £16m in funds under management – a figure dwarfed by the £246m which M&G raised for its recent Income Investment Trust launch.

But plans like these have worked before. Mr Barry Bateman, managing director of Fidelity Investment Services and chairman of the UTA, pointed out that Fidelity, which is one of the top five unit trusts, itself grew out of nothing when it was set up in the UK in 1979.

"I think it is more difficult to do it now than 10 years ago," said Mr Bateman. "The larger groups have strengthened their position and there is more competition, but it is not impossible to do it."

Additional reporting by Emiko Terazono

UDO declines to £9m and no improvement in sight

UDO HOLDINGS, the UK's largest supplier of drawing office equipment, has failed to maintain its record of consistent profits growth since going public in 1984. It yesterday announced an 8 per cent decline for the year to July 31, writes Peggy Hollinger.

However, Mr Michael Wright, chairman, said he was pleased with the results, which were "as good as they possibly could have been in the circumstances".

Mr Wright said trading in the current year remained difficult. "We have never seen a year like the last one," he said, "and so far, we don't see any improvement."

Taxable profits of £9.05m compared with last time's £9.8m which was struck before a £555,000 gain from a property sale. Turnover fell 11 per cent to £55.8m.

Mr Wright said that despite efforts to spread business as widely as possible, the general downturn had hit profits across the board. About 25 per cent of UDO's customers are architects or builders.

Seven small acquisitions, including the group's first venture overseas, had contributed little to profits or turnover. However, the venture in Portugal was performing better than expected, Mr Wright said.

UDO, the only national player in a highly fragmented UK market, plans to step up its overseas expansion programme. Mr Wright said acquisitions abroad could be expected soon.

Margins were maintained through increased emphasis on the higher value reprographic business, cost-cutting, and the introduction of new products.

"We gave our sales people something to sell in difficult times," Mr Wright said.

During the year the group reduced its workforce by some 8 per cent, leaving a total staff of about 1,000.

The balance sheet remained strong, with no debt and a £13.4m cash surplus, compared to £11.9m last time. Interest receivable amounted to £1.8m.

Earnings per share declined from 23.4p to 20.78p. The final dividend is increased to 4.13p making 5.75p for the year, a 25 per cent advance.

FT LAW REPORTS

IGPA umpire can hear claim

CURACAO TRADING CO BV v J HARKISANDAS & CO
Queen's Bench Division (Commercial Court): Mr Justice Hirst: October 8 1991

AN UMPIRE'S awards on liability and damages in a non-delivery dispute referred under IGPA Rules, constitute *two stages of a single award* the validity of which is unaffected by the interposition, between the two stages, of an appeal committee award upholding the decision on liability.

Mr Justice Hirst so held when refusing an application by the sellers, J Harkisandas & Co, to set aside Mr Justice Hobhouse's order giving the buyers, *Curacao Trading Co Ltd*, leave to enforce an arbitration award in the same manner as a judgment.

HIS LORDSHIP said that by a contract dated September 23 1988 Harkisandas agreed to sell 100 tonnes of black Indian pepper at $1,400 per tonne to Curacao.

The sellers did not deliver. The dispute on liability turned on whether that failure was justified under the terms of the contract.

An umpire was appointed under the Rules of the International General Produce Association (IGPA).

Rule 60 provided that an umpire had power to make an interim award. By rule 90 he could proceed in the parties' absence, unless either party gave notice of its wish to be present and to adduce evidence.

By rule 96 the appeal committee had power to "re-assess, alter, amend or omit all differences awarded by the arbitrator". By rule 99 "the appeal decision shall be constituted the arbitration award under the reference and shall be final and binding on all parties".

Rule 132(a) provided that "whenever it is ... decided by arbitration that one party to the contract has failed to fulfil the terms of the contract, the contract (failing an amicable settlement) shall be closed forthwith by the other party invoicing back the goods concerned in the default at a price and weight to be decided on by arbitration. The arbitrators or umpire shall base the invoicing back price ... on the estimated market value ruling on day of default".

In his first award, dated August 7 1989, the umpire found in the buyers' favour on liability. He awarded that the sellers were in default "and that the contract shall be closed in accordance with rule 132(a)". The award was upheld by the IGPA appeal committee on December 11 1989.

By letter dated March 20 1990 from the sellers' solicitors to IGPA, the sellers objected to *the proposed further hearing* under rule 132(a), on the ground that the arbitration procedure was exhausted once the appeal award had been issued, and that under the Rules there was *no jurisdiction* for any further hearing.

IGPA disagreed and the correspondence continued, culminating in a letter from the sellers' solicitors dated April 6 1990, which stated that so far *as quantum of damages* was concerned the umpire and the appeal committee were *functus officio* and had no power to make any further awards.

On April 12 1990 the umpire made a second award, under rule 132(a), of damages for breach of contract.

He awarded that "the sellers invoice to buyers 100 metric tons Malabar black pepper at $1,400 per metric ton ... and that the contract shall be closed by buyers invoicing to sellers a like quantity at $2,938 per metric ton". The difference due to the buyers was $153,800. The award was based on the market value of the pepper on day of default.

On December 17 1990 Mr Justice Hobhouse gave the buyers leave to enforce the award "given in two parts dated August 7 1989 and April 12 1990" in the same manner as a judgment, pursuant to section 26 of the Arbitration Act 1950.

The buyers' application to the judge was made *ex parte* on paper without a hearing, as was normal. They did not place before him the correspondence objecting to the rule 132(a) hearing.

The sellers applied to set aside Mr Justice Hobhouse's order on the ground, first, that the procedures undertaken in the arbitration failed to comply with IGPA Rules.

Mr Aikens, for the sellers, submitted that the umpire's award was not stated to be an interim award, and so should be construed as a final award. Whatever its effect, he said, it was overtaken by the appeal committee's award, which should be construed as final by virtue of rule 99. Therefore, he said, the umpire's second award had no validity.

Seeing there was no power in the rules for the appeal committee to remit back to the umpire the assessment of quantum as part of its award, and since the rules expressly provided for a pause for an amicable settlement, the correct construction of rule 132(a), Mr Aikens submitted, was that there must be two entirely separate submissions to arbitration, the second on quantum only being made if the parties failed to reach an amicable settlement.

He said that as there had been no such separate submission the procedure adopted was fatally flawed.

Any other construction, he said, would be inconsistent with rules of natural justice since the losing party on liability would be deprived of the opportunity to make submissions on quantum.

Those arguments were unconvincing.

There was nothing in the wording of rule 132(a) which expressly stipulated a separate arbitration on quantum, and there were a number of pointers in the rule itself telling against Mr Aikens's construction.

For example, the reference at the beginning of the second sentence to "the arbitrators or umpire" seemed appropriate phraseology if there was one single two-stage arbitration, but very clumsy if it was intended to encompass the arbitrators or umpire at a second separate arbitration. Also, the requirement that failing an amicable settlement the contract should be closed "forthwith" was inappropriate wording if the parties had to go through the rigmarole of setting up an entirely separate second arbitration.

It would be making unduly heavy weather of the quantum stage if it were necessary for parties to go through the expensive and laborious procedure of setting up a second and entirely separate arbitration.

It was correct that having regard to rule 96 and 99 the appeal committee's award on liability superseded the umpire's award on that topic. However, the appeal committee's award, having upheld the umpire on liability then proceeded to order that the contract be "closed in accordance with rule 132(a)", thus characterising itself as an interim award.

It was fully consistent with the pattern of rule 132(a) that the appeal committee's direction that the contract should be closed in accordance with that rule should be fulfilled at a further hearing before the original umpire. An explicit stipulation to that effect in the rules was not required.

There was no flaw in the arbitration procedure.

Natural justice was in no way affected. It would always be open to the sellers to give notice of their wish to be present and adduce evidence at either or both stages of a single arbitration, under rule 90.

The second ground of the application to set aside was that the buyers were guilty of culpable non-disclosure of material facts which should have been placed before Mr Justice Hobhouse on the *ex parte* application.

The question was whether the correspondence challenging the propriety of the procedure should have been disclosed.

The buyers' solicitors took the view that the point taken in the correspondence was hopeless and that there was no need to disclose it.

They reached that decision with sincerity and integrity but were mistaken. The court was completely dependent in *ex parte* applications on complete, full and frank disclosure, whatever the nature of the *ex parte* relief sought (see *Eccomm [1985] Lloyd's Rep 403*).

It by no means followed, however, that the non-disclosure was fatal to the buyers' case.

Mr Aikens had not supported the argument put forward by the seller's solicitors in the correspondence, namely that the appeal committee's award closed the arbitration procedure once and for all. He had based his argument on the proposition that rule 132(a) required two separate arbitrations.

It followed that the point taken in the correspondence would not have invalidated the application even if it had been disclosed.

That consideration coupled with the fact that the failure to disclose was not culpable satisfied the court that it would be wrong to deny the buyers relief on the ground of non-disclosure.

The application to set aside was refused.

For the sellers: Richard Aikens QC (Gagrat Gardi & Co)
For the buyers: Nicholas Hamblen (Norton Rose)

Rachel Davies

FINANCIAL TIMES SURVEY

ALUMINIUM 91

Wednesday October 23 1991

The industry remains confident about its prospects in spite of problems, writes **Kenneth Gooding.** Significant growth in demand is expected this decade, and the recyclable nature of the metal means it benefits as people become more environment-conscious

The metal of the future

THE ALUMINIUM industry is hurting. For many weeks, prices have been at their lowest-ever level in real terms, when inflation is taken into account. At least 60 per cent of primary aluminium capacity is being operated at a loss. But even when viewed from the very bottom of the recession, the aluminium industry's future looks healthy.

"Aluminium is a green material. Its recyclable value and its light weight make it a natural for the energy-conscious and environmentally sensitive era in which we live," says Mr David Morton, chairman of Alcan Aluminium, the second-largest western producer.

Like many industry executives, he is convinced car makers will, before long, provide an enormous surge in demand for aluminium – similar to the boost the industry received in the 1980s when beer and soft drinks producers moved to aluminium cans.

"Aluminium is now reaching out to its next avalanche market – the automobile – and it is doing this at a rate far faster than we were predicting even two to three years ago, says Mr Morton.

But it is increasingly likely some of the high-cost producers will not live to share in that glorious future.

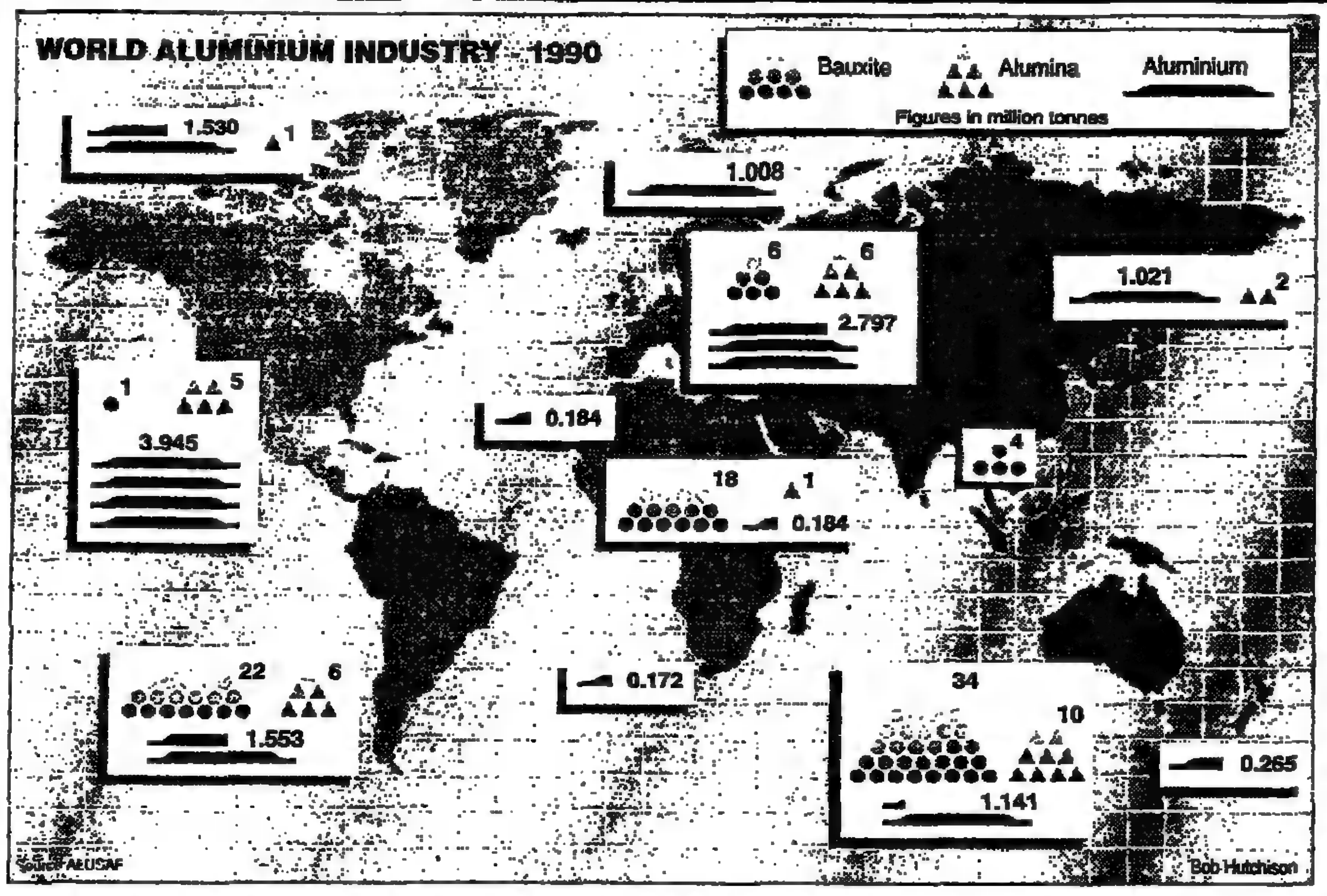
As Fred Roux, chief executive of Genmin's minerals division says: "At $1,600 a tonne (72c/lb) the high-cost producers, particularly those in Europe, began to feel some pain. At $1,200 (54c/lb) they are in agony."

If the aluminium price goes to 50c/lb, 75 per cent of the aluminium industry will be operating below its cash costs of production, while at 45c nobody will make money. At begining October the price was $1,155/tonne or 52c/lb.

Demand is not the industry's problem. There is still some growth in spite of the recession in many markets. Consumption of new aluminium rose by about 1.4 per cent last year, and many analysts believe another 1 per cent can be looked for in 1991.

This is some way from the 3.6 per cent annual growth rate experienced in 1985-89, but at least the trend continues upwards.

The industry's difficulties stem from the producers' reluctance to cut output even though stocks of the metal have been rising sharply and prices have responded by falling equally fast.



Aluminium smelters are designed to be run for 24 hours a day, all year round. Any slowing causes problems with raw materials and metallurgy. Yet closing a complete pot line is a long term decision because it is very expensive to start one up again.

Overproduction has been made worse by an unexpectedly large flow of aluminium from the former Soviet Union which is using the metal to raise hard currency.

Soviet net exports will more than double to about 750,000 tonnes this year, equivalent to the output of four modern smelters.

Today the high-cost smelters are in Europe and the Americans held firm for many months, saying Europe was where the cuts should be made.

In its recent Aluminium Annual Review, the Anthony Bird consultancy group suggested Italy has the highest-cost smelters, with costs of 78c/lb, followed by Spain and Germany at 76c, and France at 70c. In comparison, Venezuela's costs are only 47c/lb; Canada 51c.

Mr Paul O'Neill, chairman of the Aluminium Company of America (Alcoa), put the North American view very clearly when he said: "I'm influenced by the fact that we're still making some money while some other people are not.

"It seems to me that the burden of taking some downtime ought to fall on those who are not making money, not those who are."

However, Mr Bernard Legrand, who heads Pechiney's aluminium activities, points out that each smelter is a special case and many are protected from the worst impact of low spot prices by long-term contracts and relationships with customers.

Also Europe has already played its part in cutting out high-cost capacity. Between 1982 and the end of next year some 665,000 tonnes of capacity will have closed down permanently in the EC area. In contrast, those North American so-called Lazarus smelters, which closed during the last recession, have come back and remain in production.

Analysts also point out, for example, that Alcoa is kept in profit by its downstream activities. They estimate that, while the average cash cost of producing primary aluminium has fallen perhaps as low as 40c/lb, the total cost of production is about 60 to 65c and at present prices all the North American producers are losing money on their primary production.

Mr O'Neill admits that the industry, like many others, has not done a particularly good job in keeping supply and demand in balance. There is another big step-up in capacity coming in the next 18 months – some analysts calculate that about 1m tonnes of new capacity and expansions will come into operation by the end of 1992 – and Alcoa's chairman believes the industry might take a "holiday" from increases after that.

Alcoa itself has a smelter project in Venezuela in the pipeline, but Mr O'Neill says the go-ahead will be given "when it is clear the world is going to be in rough balance and one can anticipate metal prices better than 80 or 85c/lb for a period of three or four years after the completion of the smelter." Not that he wishes the price to rise much above $1/lb – that would hold down demand and might frighten off some automotive business.

Other companies are also considering slowing expansion schemes or green-field smelter projects to allow demand to catch up.

Pechiney's Mr Legrand points out that, if the industry's capacity grows by the expected 1m tonnes by 1993, it would require an annual growth in demand of 6.8 per cent as the industry comes out of the recession. "This would be quite extraordinary. A 4 per cent rate would be excellent, and that will absorb about 500,000 tonnes."

The implication was not lost on the industry. As happened in the previous recession, the North American companies eventually led the way with cuts. Reynolds Metals shut its Troutdale smelter in Oregon, taking 121,000 tonnes of capacity out of production. Alcan followed with temporary cuts at five smelters. This means another 143,000 tonnes of capacity will go out of operation on November 1.

At the time of writing, total cuts announced by the industry in the present crisis come to 612,150 tonnes or 4.1 per cent of western world capacity. Analysts suggest that this might not be quite enough, particularly if Soviet aluminium is to continue to flood westward.

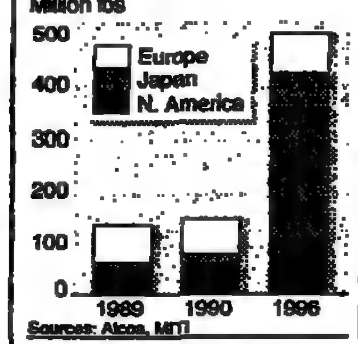
The industry, while gritting its teeth because of the present painful circumstances, remains cheerful about the future. It is sure the long-term total demand for aluminium, including secondary or scrap, will grow from the present 20m tonnes by at least 2.5 per cent a year. Packaging still anticipates a great deal of growth as the rest of the world is expected to succumb to "the six-pack of beer and TV dinner" approach which has boosted demand for aluminium in North America.

Then there is the "avalanche" of demand expected from the car makers. Analysts suggest this could add at least 10m tonnes to annual aluminium sales by the year 2000. However, a great deal of this extra requirement will be provided from secondary or scrap metal rather than primary or new aluminium.

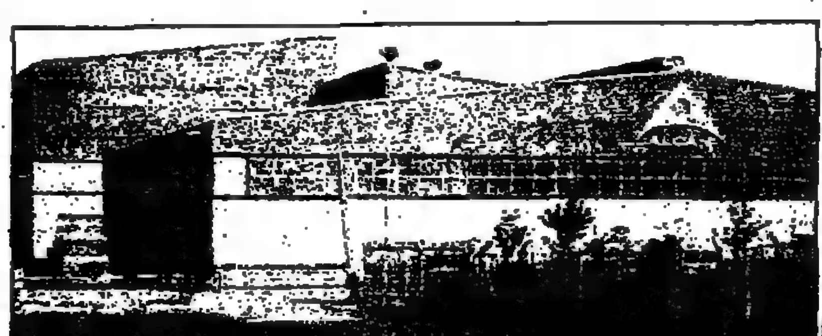
The industry is sure other markets will be conquered. Alcoa's Mr O'Neill sums up confidently: "The aluminium industry will have a great surge of activity in the coming 25 years because of the metal's recyclability. Aluminium will completely overwhelm some other materials."

IN THIS SURVEY

Aluminium car body sheet demand



Sources: Alcoa, MITI



Alcan's new can recycling plant, Warrington.

ALUMINIUM 2

Richard Mooney on consumption and production

A cold wind blows in from the east

THE MALAISE of the aluminium industry is nowhere more boldly underlined than in the figure for stocks held on warrant in London Metal Exchange registered warehouses. This has increased nearly five-fold over the past 12 months to more than 700,000 tonnes, the highest level ever for any LME-quoted metal. And that rise is matched in absolute terms, though not proportionately, by the increase in producer-held stocks. Anthony Bird Associates, the aluminium analysts, writes in the July issue of its Aluminium Analysis that "stocks of metal in producer and market hands have now reached 2.2m tonnes, and look set to reach nearly 2.7m tonnes by the end of 1991".

Yet the western world's consumption has remained ahead of its production, albeit by a sharply narrowed margin. Billiton-Enthoven Metals estimates that consumption this year will be a record 14.95m tonnes, up from 14.88m in 1990, while production will be 14.9m tonnes, also a record, up from 14.58m last year.

The factor that has pushed the western market into heavy surplus has been the surge in net imports from former communist countries, as their domestic industries have struggled with the shift to market-based operation. Billiton puts these at 450,000 tonnes this year, compared with 402,000 tonnes in 1990 and 298,000 tonnes in 1989. However, Bird sees this as a temporary phenomenon. "In time," it says, "the ex-communist countries should see a strong industrial recovery; and the IMF forecasters estimate that this could start in 1992." It expects, moreover, that Soviet aluminium-producing industry will itself be hit when it feels the full effect of the adjustment process.

ALUMINIUM: WESTERN WORLD SUPPLY-DEMAND BALANCE (000t)

	1987	1988	1989	1990	1991(F)	1992(F)
Production	12,956	13,876	14,460	14,600	14,950	15,300
% change year on year	6.3	7.1	4.2	1.0	2.4	2.3
Decline in IPAI invoices	463	(920)	(94)	54	0	0
Producers' shipments	13,419	13,784	14,366	14,654	14,950	15,300
% change year on year	6.5	2.7	4.2	2.0	2.0	2.3
Decline in exchange invoices	33	(50)	80	(253)	0	0
Net imports	280	417	300	402	850	400
Receipts by customers	13,732	14,151	14,746	14,803	15,400	15,700
% change year on year	6.5	3.1	4.2	0.4	4.0	1.9
Estimated decline(increase) in customers' stocks	(65)	272	(65)	78	(575)	0
Estimated end chew up	13,667	14,423	14,681	14,881	15,025	15,700
% change year on year	6.3	5.5	1.8	1.4	1.0	4.5

Source: World Bureau of Metal Statistics and Carr Kitcat Aitken estimates

The slowing in western consumption growth from the 6.2 per cent 1987-88 average to less than 1 per cent for the 1990-91 period has been largely because of what Billiton describes as the US economy's "lurch" into recession, which was led by the construction and motor manufacturing sectors, both big aluminium users.

Cushioning this, however, has been Japan's continuing strong growth. In its latest Aluminium Update, Billiton says Japanese aluminium consumption rose by 49 per cent between 1986 and 1990 and suggests that "this strength [will be] carried over into the current year". It quotes an Aluminium Study Group forecast that the 1991 financial year will see a further 3.2 per cent rise. "The omens are good," Billiton comments, noting that output of mill products in the first quarter was up 11 per cent from a year earlier, "buoyed by a 28 per cent increase in aluminium can production".

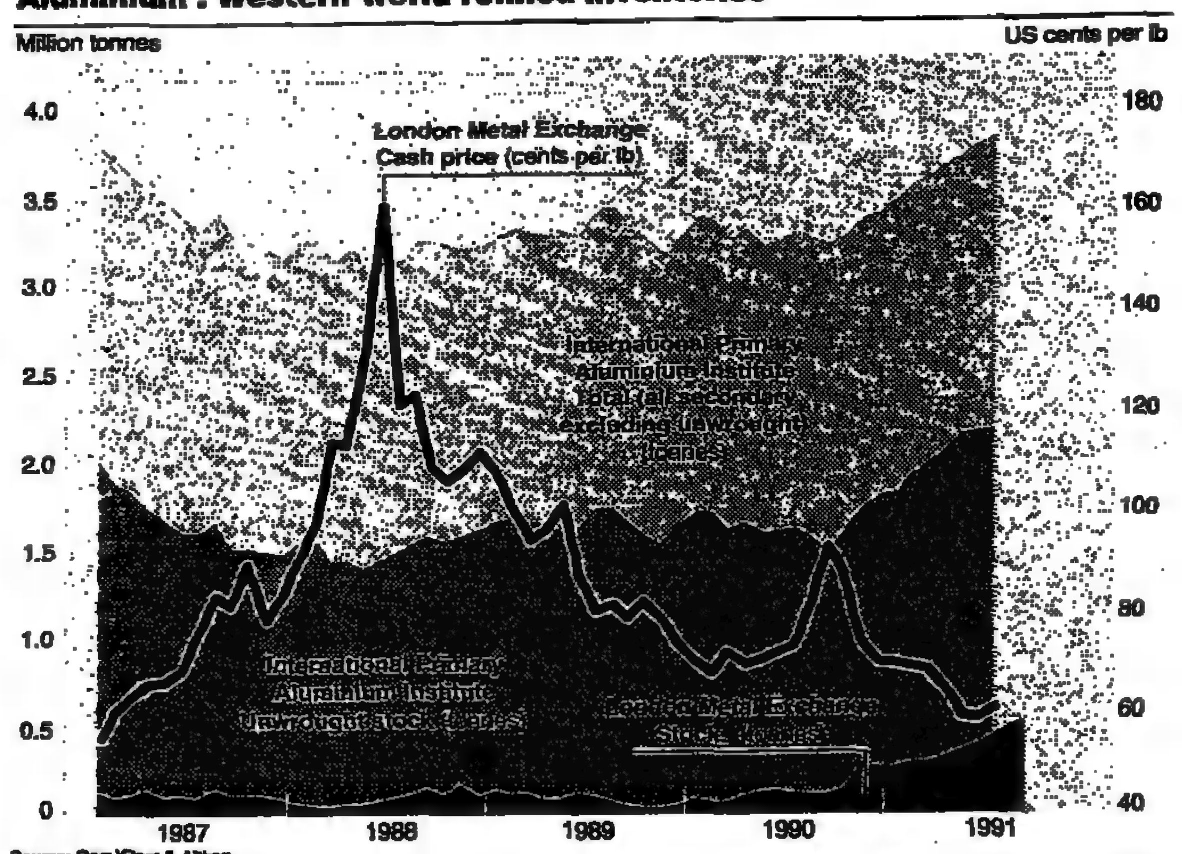
Bird suggests, however, that the slowdown in overall aluminium demand growth might have been very much worse had it not been for the improvement in the metals' competitive position resulting from its heavy price slide – the current price is down 44 per cent from a year ago and 73 per cent from its 1988 peak.

"From here on, we expect those factors which have held aluminium demand in check to go into reverse," says Bird, "but at the same time we expect aluminium to hold on to its competitive edge for some time yet. "The economy will be recovering in 1992 and 1993; and since falling interest rates are one of the ingredients of the recovery, those sections of the car and construction industries which have been hard hit are likely to recover particularly strongly."

Bird predicts that consumption will rise by about 5.6 per cent in 1992 and by a further 4.2 per cent in 1993. After that, it expects demand growth to fall to just under 3 per cent in the first half of 1994 and probably further after that, as rising prices erode the metal's competitive advantage.

On the supply side Bird attributes the build up of excess stocks to a combination of western aluminium producers' "policy of reluctant contraction" and sharply increased "net Socialist exports". It forecasts that the latter will rise from 584,000 tonnes in 1990 to "as much as 730,000 tonnes in 1991", respectively 182,000 tonnes and 280,000 tonnes higher than the levels estimated by Billiton.

Aluminium : Western world refined inventories



Source: Carr Kitcat & Aitken

The slow producer response to weakening prices is explained by the structure of production costs now found in the industry, Bird says. "In the last cycle, the high-cost producers were mostly Americans, with a very flexible attitude to closing and restarting smelters," Bird says. This time most of the high-cost producers are in less flexible Europe. "In Europe it is generally more difficult to close plants at all; plants once closed are usually closed for good; and so firms are naturally more cautious about reacting to a period of low prices by trimming their production."

Billiton suggests reasons for hesitancy about cutbacks: the number of producers that have power and/or alumina (aluminium oxide) contracts linked to the metal price; the fact that some producers sold forward at prices above present levels; the amount of European marginal capacity that is in areas where social implications weigh heavily on decision-making; the costs, sometime significant, of "mothballing" capacity; and the willingness of some large integrated producers to absorb high smelting costs in the hope that that some of the less efficient independents may close.

However, eventually North American nerve broke and both Reynolds Metals in the US and Alcan of Canada announced cuts. Reynolds will temporarily close its Troutdale smelter in Oregon (annual capacity 171,000 tonnes) while Alcan is cutting output at five smelters, taking out, temporarily, 143,500 tonnes.

Nevertheless, Bird believes the process of reluctant contraction must accelerate. "At today's 61 cents a lb [the price has since fallen another 9c] not a single new aluminium smelter project is viable, and only about 10m tonnes of existing capacity is covering its operating costs," it's July report says. It assumes that the cutbacks will eventually total about 600,000 tonnes of annual production capacity.

"But we are uneasy about the lack of investment in new plants," says Bird, which has been arguing for some time that the industry will need more new investment than is being planned. "When demand growth picks up again from 1992 we now think that the supply system will be hard-pressed to keep up. We see a period of renewed market tightness coming, by late-1993 and early-1994 with stocks forced down to a very low level, and capacity utilisation rates at their ceiling.

"Thus today's low prices may have beneficial results on the demand side, keeping consumption steady, but they are producing a contraction on the supply side of the industry which is likely to be too deep."

Jim McCallum on alumina

Stuck in the doldrums

THE ALUMINA industry has entered the 1990s in a peculiar position. Production is at a record level, demand shows no signs of slackening, yet prices continue to languish and are now just a quarter of their high two years ago.

As the single most important raw material in the production of aluminium, alumina is the link between raw bauxite and primary aluminium. Nearly two thirds of production is in the hands of large, vertically integrated aluminium producers who dominate the primary metal market.

But since the 1960s there has been an important shift in production of alumina away from the industrialised countries towards developing nations. Although this partly reflected an attempt by some emerging economies to develop an integrated aluminium industry, it was also a recognition by the large producers that costs could be lowered if alumina smelters were located closer to bauxite mines.

According to Billiton-Enthoven Metals, in the mid-1960s the majority of Western production took place in the big seven industrialised nations. Today they account for less than 30 per cent of the total.

During the 1980s there was also a shift in production in the developing world, the most obvious being the move away from Jamaica towards Latin America and Australia, where smelters could benefit from

■Continued on next page

David Blackwell on the stockholders

1984 sales, 1991 costs

THE RECESSION has not been kind to metal basbers, as aluminium stockholders now like to see themselves. Nevertheless, metal bashing has been the lifeline for the stockholding industry. "If we had not invested in equipment as we did in 1987 and 1988, we would have gone bust," says Mr Alan Charman, chairman of the UK Aluminium Stockholders Association. "It has been a pretty dismal picture."

The figures speak for themselves. In the whole of 1988, the association's members sold 120,000 tonnes of aluminium worth £266m. In the first half this year it sold 52,000 tonnes worth £124m. Mr Charman estimates that by year-end total sales will be 100,000 tonnes, worth £232m. (The second half is never as strong as the first.)

"That is 18 per cent down in terms of volume and value on the figures last year," he points out. He claims figures last year were a harbinger of the recession. Until April 1990 the association was on target to sell 90,000 tonnes of rolled products in a year for the first time. After May there was a steady decline of 1 to 1½ per cent a month in consumption, right through to June this year, when consumption was a total 22 per cent below consumption in June 1990.

Mr Charman believes June marked the bottom of the recession. In July and August offtake was bumping along the bottom, but "I have a feeling that September held up. We think there is light at the end of the tunnel, but we are so far back," he says, pointing out that sales are now at the same level as in 1984.

Over the past 12 months two member companies have gone into liquidation – a small company hit by bad debt, and a medium company which could not cope with the reduction in volume of trade. However, two small companies have joined the association, leaving the number of members at 38.

The association's move towards added value in the late 1980s can be seen to have paid off, Mr Charman believes. In the extrusion side of the business, which makes sections for the building and transport industries, sales in 1987 and 1988 amounted to 37,000 tonnes, with a turnover value of £90m. This year, the tonnage is expected to fall to 30,000 tonnes, but it will still have a value of £90m.

In the rolled sector, which sells to varied engineering companies, consumption is expected to fall from last year's 86,000 tonnes to an estimated 73,000 tonnes this year. But unlike the extrusion sector, turnover is also expected to fall, from £200m to an estimated £145m, reflecting the fall in volume and the declining aluminium price.

However, investment in the rolled sector has been proportionally heavier than in the extrusion sector. "Instead of simply supplying the metal, upwards of 65 per cent of all metal sold is processed," says Mr Charman. Aluminium parts will be painted, folded, coated in plastic, and anodised. Most members of the association now have at least one specialised product line.

The recession has also highlighted the stockists' original function – as bankers for aluminium. The same volume of metal this year has been covered by 40 per cent more invoices than last year as buyers order smaller quantities.

At the same time bad debts are at record levels. Mr Charman cited a case where a small metal workshop which had dealt with an association member since 1972 had gone down after one of its customers went bankrupt owing £80,000. The workshop left a debt of £12,000 to the stockholder.

The rapid rise of stocks in London Metal Exchange warehouses and the decline in prices has not helped the stockholders, who like to see prices stable. At any one time the industry has between £60m and £70m tied up in stocks, and is worried by the risk of high losses on them.

"Our biggest concern at the moment is that while world and LME stocks indicate a further price reduction, suppliers are talking of price rises," says Mr Charman.

He feels the industry is leaner and fitter to face the future, although it has used up its reserves. Last year 2,600 people were employed in 168 warehouses. So far around 330 jobs have been shed this year.

But if the recession is really over, stockholders still face a long haul back to prosperity. "We are faced with a 1984 turnover and 1991 costs," says Mr Charman.

In the doldrums

■ From previous page

less government regulation and cheaper power.

During the world recession of the early 1980s prices of alumina (along with other commodities) collapsed and production was slashed.

By and large smelters found they could mothball plants rather than close them altogether. When demand for aluminium picked up in 1987-88, although there was initially a tight squeeze and prices almost tripled, producers responded by re-opening many of the mothballed smelters. The oversupply that followed was predictable enough, if somewhat unnecessary, given the grip which the larger producers still exercise on the market.

The next development could have been expected: prices starting to fall and an unco-ordinated scramble to cut production. But the unexpected happened. A large buyer has appeared on the world market and has stemmed what should have been a more precipitous fall in prices.

Since the beginning of 1991, the Soviet Union has been actively taking up the surplus of western alumina production. Along with still buoyant consumption in the West, this has allowed producers to work flat out despite the fall in prices.

With the US economy showing only hesitant recovery, and as uncertainty persists about the longevity of the expansions in Germany and Japan, Soviet activity is likely to be decisive in outlook for the market over the coming year.

Mr James King, a consultant specialising in aluminium and raw materials, says the Soviet Union has decided to export aluminium in an attempt to earn hard currency. It is not, however, entering into long-term agreements with western alumina producers, but is buying on the small but important free market, and this has an exaggerated effect on the world price of alumina. One of the immediate effects of the Soviet sales has been to depress the price of aluminium and render some of the industry unprofitable. If this pushes the aluminium industry into recession, the effect will quickly spread to alumina.

Hungary, which has large bauxite mines, has the most significant alumina industry in Eastern Europe outside of the Soviet Union. Traditionally, it swapped alumina for Soviet aluminium, but the Soviet decision to import cheaper western alumina combined with the high cost of Hungary's underground bauxite mines could eventually lead to Hungary ceasing production altogether, says Mr King.

Elsewhere in eastern Europe, the process is already under way. The small east German alumina smelters have already closed. The small and relatively cheap Czech industry, given its reliance on ecologically damaging brown coal, has a question mark over its survival.

Furthermore, more production is due to come on stream over the next year, amounting to around 5 per cent of the current total.

According to Mr Kevin Norrish of the Commodity Research Unit, western production will have risen to 37.4m tons per year in 1995, compared with 35.5m in 1991.

Mr Norrish says there will be an excess in supply. There are only a handful of expansion plans firmly in place, but there are a large number of small increases in output planned at existing plants, which, when taken together, is likely to create a surplus.

David Blackwell listens in on new row at the LME

New contract is under fire

THE LONDON Metal Exchange has had a resounding success with its primary aluminium contract after overcoming vociferous opposition from the industry.

For a year it has been considering an addition to the stable in the form of a secondary aluminium contract – but once again the opposition is vociferous and the exchange is cautious.

During metals week earlier this month some LME members suggested the chances of the contract being launched were no better than 50-50. Mr Martin Abbott, the LME's director of marketing, said that in any event the exchange was not likely to be in a position to make a final decision until the middle of next year.

It is not hard to see why the LME has chosen secondary aluminium for a proposed new contract. The production of secondary aluminium is a large industry, with output of about 4.5m tonnes a year, mainly of automotive grade alloy. The motor industry uses 70 per cent of production.

The secondary industry has been growing at 5 per cent a year, compared with only 1 per cent for the primary industry, Mr Andy Smith, sales director of Cookson Aluminium, told an LME seminar this month.

However, Mr Abbott described current pricing in the industry as archaic; some people felt it was hindering the development of the industry. Prices were assessed and published by the trade and the trade press – a system unsuitable for a large volume business with a large number of participants.

The industry tended to ignore the published price and offer discounts, he said. There was no hedging for forward fixed price contracts, making contracts for even one month ahead risky. Hedging against the LME primary aluminium contract was ineffective, as the secondary market was driven by different factors and price movements can diverge.

The proposed contract would be in US dollars a tonne, cover lots of 20 tonnes, and be traded over 15 months. The grade of metal would be the Japanese ADC12 and the German DIN 226 – a choice which had met no opposition so far although the proposal had been known for some months, Mr Abbott said. However other grades, notably US 380, had not been entirely ruled out.

One unexpected problem had surfaced: secondary aluminium deteriorates with storage owing to oxidation, which varies according to the amount of copper or iron in the alloy. This had presented a gift horse to the contract's opponents, Mr Abbott said.

But the LME was a risk management forum, and delivery of metal to its warehouses was a system of last resort, he said. "All being equal, no-one takes metal from an LME warehouse as a matter of preference."

The exchange was looking at ways around the problem, including a "first-in, first-out" system and a certification scheme similar to that used for perishable soft commodities.

Opponents of the contract say that this would involve substantial and unwarranted changes in the operation of LME-approved warehouses.

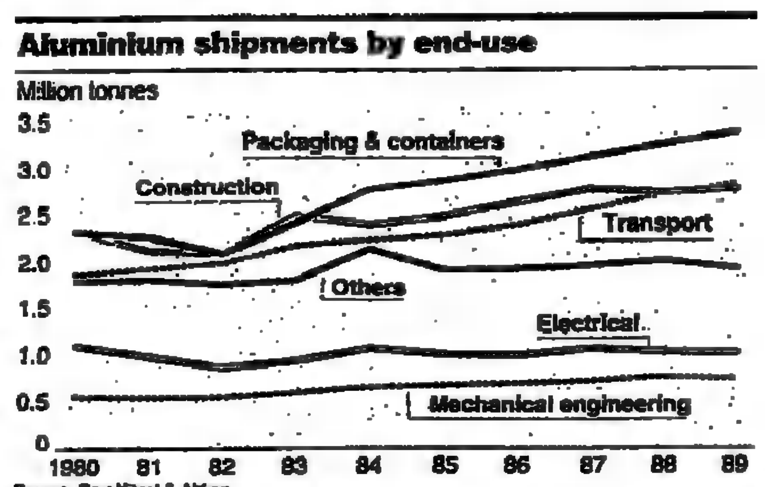
Mr Smith of Cookson said he shared the cynicism of some in the industry who believed the LME was scouting around for a new product to enhance an ageing product range.

However, he believed the secondary aluminium industry was fragmented, and tended to have a provincial view.

Price volatility was the Achilles heel of the industry, he said. Renault and Peugeot, the French vehicle groups, recently had taken the initiative and told suppliers what they were willing to pay for secondary aluminium for the whole of 1992. Without a secondary aluminium contract the producers could only refuse to supply the metal, losing their market; supply the metal without cover, thereby gambling their businesses; or attempt an imperfect hedge on the LME's primary aluminium contract.

The proposed contract would not only provide a hedging medium, but would weed out high-cost producers and lead to a more orderly market, Mr Smith said.

Opponents of the contract believe, however, that the limitation to one or two alloys will create price volatility, and give rise to market manipulation.



Source: Carr Kitcat & Aitken

INDUSTRY OPERATING COSTS BY COUNTRY*

	Jan 1990	Jan 1991	% change (all +)
Australia	54	55	1.9
Brazil	55	64	16.6
Canada	53	54	—
France	66	71	7.6
Germany	71	71	8.5
Italy	71	78	9.9
Norway	66	71	7.6
Spain	68	75	10.3
USA	65	66	1.5
Venezuela	46	47	2.2

* US cents a lb. Source: Antony Bird Associates

ALUMINIUM 4

The green argument also makes economic sense, writes **Kenneth Gooding**

'Stored' energy put to good use

ALCAN of Canada has spent £28m on a dedicated aluminium can recycling facility at Warrington, in the north of England, which is being brought into production this month and ultimately will be able to process 50,000 tonnes of used beverage cans a year. Yet only 40,000 tonnes of aluminium beverage cans are sold in the UK, and most of them are thrown away – only about 10 per cent are being recycled.

So used beverage cans (UBCs in the industry jargon) will be imported, mainly from the US, to feed the Warrington plant. Is this commercial madness? No,

Used cans will be imported from the US to feed the Warrington recycling plant

it is an example of the aluminium industry's commitment to recycling and its determination to put the infrastructure in place to make recycling work.

Even though Alcan won a low-cost £34m loan from the European Investment Bank towards the Warrington project, the investment makes sense only because of the peculiarities of aluminium production. For, while manufacturing new aluminium takes a great deal of energy – typically 15 MegaWatt hours of electricity a tonne – the metal "stores" that energy. It can take as little as 5 per cent of the original energy to make used can sheet as good as new.

At the same time, the capital cost of facilities to recycle aluminium is only one tenth of that for a new primary smelter. That is not to suggest the technology is easily mastered. Before the cans are remelted they have to have lacquer removed from the inside and paint removed from the outside, not an easy job in view of the possible environmental problems this might cause.

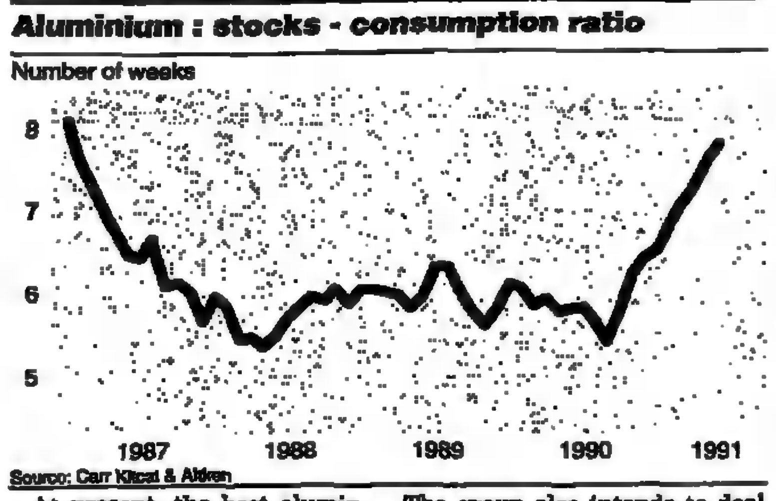
Nevertheless, even after the aluminium companies have paid for UBCs, transported and remelted them, containers made from old cans cost only about three-quarters of those produced from new can sheet. The aluminium industry's rivals suggest it makes no sense to use such an expensive material for packaging unless a good proportion is recycled.

The Warrington facility is the first of its kind in Europe but is based on Alcan's pilot plant in Berea, Kentucky, which has been operating for two years.

Eventually Warrington will have the capacity to process about 3bn beverage cans a year, recycling more than 100 a second. They will be turned into aluminium ingots which will then be rolled out into sheet to make more cans – but not in the UK.

The Warrington ingots will be sent to huge rolling mills jointly owned by Alcan and VAW (Vereinigte Aluminium-Werke) in Germany, where a $590m expansion is under way in anticipation of growth in demand for aluminium packaging materials.

Aluminium : stocks - consumption ratio



Source: Carr Kitcat & Aitken

At present, the best aluminium can recycling rates are in China and South Korea, where 90 per cent of UBCs are collected and re-used. But the aluminium industry in Europe is relying on lessons learned in the US to boost recycling rates. In the States last year, more than 63.6 per cent of all aluminium cans were recycled. This involved about 55bn cans, which were turned back into 1m tonnes of metal.

In the US cans are collected at more than 10,000 locations and the industry pays cash for them – more than $2.5m a day.

To help feed the Warrington plant, Alcan is contributing towards a similar infrastructure for the UK and Europe. It has already established centres offering "cash for cans" in Birmingham, Nottingham and Warrington, and has mobile centres, or "can vans," in Birmingham, Leeds, Sheffield, Portsmouth and Southampton.

The group also intends to deal with some of the difficulties experienced by scrap (or secondary) metal merchants by establishing seven regional processing centres. Merchants will save transport costs, will be able to deliver cans without baling them first and take smaller loads (which will help their cash flows) to these centres.

Alcan is not alone in these efforts. Four other aluminium companies (Alcoa and Reynolds of the US, Pechiney of France and VAW of Germany) fund Acra (the Aluminium Can Recycling Association) which promotes can recycling throughout Europe.

Alcoa (the Aluminium Company of America) has set up cash-for-cans facilities in South Wales and has a number of other collection initiatives in the UK. The industry is determined to boost the UK recycling rate to 50 per cent in five years and is working hard in other European countries. If it succeeds, that would provide 25,000 tonnes of UBCs a year for Warrington to process. Wherever large numbers of aluminium cans are used, Acra intends to provide the infrastructure necessary to give easy access to recyclers.

Cans are not the only aluminium products that lend themselves to "closed loop" recycling (from cans to cans and back again, rather than being downgraded into an inferior product). As much as 70 per cent of the aluminium used in electrical engineering, building and transport is re-used. Aluminium automotive castings are almost entirely made from scrap metal, but not necessarily on a "closed loop" system.

Estimates vary, but the industry probably turned 5m tonnes of scrap back into useable aluminium last year. That compares with production of nearly 15m tonnes. Growth in demand for secondary metal is growing at 5.5 per cent a year, or nearly twice the rate for primary aluminium.

Mr Roger Maggs, Alcan's president of metals marketing and recycling, says there is much the industry must do to keep pace. It can improve the can recycling rates – even in the US where 400,000 tonnes of cans a year, equivalent to the output of two primary smelters, is still thrown away. It must work hard to solve the technical problems associated with getting back the aluminium in foil, toothpaste tubes

Industry must keep pace – new products must be designed to be recycled

and other products not as easily "collectable" as cans, he says. Recyclability must be designed into new products.

Above all, the industry must work towards standardising the alloys used by the car makers. Before long the motor industry intends to set up relatively sophisticated recycling systems for cars and the more high-value aluminium in the vehicles, the more viable those schemes will be. However, if car components are to be put into "closed loop" recycling schemes, the aluminium alloys used will have to be standardised and more easily identifiable than they are today.

PROFILE: Kaiser

No easy path to recovery

WITH prices so poor half the industry is losing money, Kaiser Aluminum Corp, one of the world's biggest producers of alumina, primary aluminium and fabricated aluminium products, is enjoying a remarkably good year.

It managed to post first-half earnings of $58.2m, or $1.16 per share, which, while down 45 per cent compared to 1990, was considered a strong performance in current market conditions. And its hedging positions are expected to protect the company during the remainder of this year. Some analysts estimate 1991's earnings per share to reach as much as $2.35.

But Kaiser's good fortune has not come easily. It has been restructuring since 1982 and, says Kaiser president Mr A. Stephens Hutchcraft, "None of it was fun."

The company virtually faced extinction in the early 1980s after a decade or more of sloppiness induced by cheap energy. In the 1970s, Kaiser was one of the lowest cost producers owing to low power costs at its plants in the US Pacific Northwest, Louisiana and Ghana. But, Mr Hutchcraft recalls, that changed between 1979 and 1981.

Energy costs soared by a multiple of 10 in the northwestern US, inexpensive natural gas contracts expired in Louisiana, and Ghana's hydroelectric power system was battered by three droughts.

The three events pushed Kaiser's debt up by $700-$800m. By 1982, having financed all its cost increases with debt, the company owed $1.9bn and faced a do-or-die restructuring. "We had to solve the problems or go out of business," said Mr Hutchcraft, who has been with Kaiser since 1956.

It undertook a dramatic recasting of itself, putting individual plants on a competitive footing or closing them; selling off non-aluminium assets in chemicals, real estate and natural gas and oil; renegotiating its labour and energy contracts to vary, within limits, according to the price of primary aluminium; and paring down costs and introducing new technologies. It also chopped staff from 25,000 to 8,000.

Mr Hutchcraft says that plants currently run with one half the hourly employees and one third the corporate officers. "Our productivity is now about three times what it was in the early 1980s," he said.

Just as the company was looking reasonably healthy, it was bought in 1988 by Maxxam for $930m and its debt, given that it in essence purchased itself, soared again, this time to $1.5bn. Since then, the company has been committed to whittling down that pile of obligations, which now total about $700m. Kaiser is, however, still highly leveraged, with long-term liabilities as a per cent of capital at 61 per cent.

To pare down its debt, Kaiser issued 7.25m shares at the beginning of July and used 75 per cent of the proceeds, or $70m, to prepay notes from its parent, Maxxam. The remainder was used to repay a bank loan. Maxxam, which is controlled by Mr Charles Hurwitz, retains ownership of 87.3 per cent of Kaiser.

There had been some question about why Kaiser found acceptable a sale of the shares for $14 each when earlier in the year the proposed price was about $18 to $20. Mr Hutchcraft explained that the earlier proposal was scuttled because under the company's loan covenants it would have been allowed only 50 per cent of the proceeds to prepay Maxxam notes. The covenants were then rewritten to allow a larger percentage to go to Maxxam.

Analysts are convinced that management will be able to additionally reduce its leverage over the next three years. Kaiser hopes that it can become

Kaiser is worried about the market next year and fears prices could drop further

an investment grade credit again in 1992.

Although the company is worried about the aluminium market next year and fears that prices could move still lower, it has engaged very successfully in hedging and forward sales of alumina and primary aluminium. The company has actually made money on its hedging over the last two years.

Kaiser, unlike other integrated aluminium makers which have a product mix more heavily weighted toward fabricated products, takes more of its profits from sales of alumina and primary aluminium. Last year, it sold 68 per cent of its 2.6m tons of alumina to third parties and 69 per cent of its 497,000 tons of primary aluminium to third parties.

The company can thus take more advantage of spikes in spot aluminium ingot prices, says Mr Peter Marcus, an analyst with Paine Webber, though its looks unlikely there will be any of these soon.

Mr Hutchcraft says he does not see signs of recovery in the US economy and is concerned about further slack demand in Japan and Europe. Kaiser says the aluminium oversupply will continue until production is cut back.

Although Kaiser would not disclose its own plans, Mr Hutchcraft said that Reynolds' move to reduce its production was "a step in the right direction". He added that Kaiser has cut production dramatically in the past when prices were low.

In the long term, however, Kaiser is optimistic about the aluminium market. It predicts increased use in the auto industry, greater Third World demand and a boost from the construction business when the US economy turns around.

Barbara Durr

Ken Gooding looks at new markets

A flood of aluminium pours on to the road

CAR MAKERS will provide an "avalanche" of demand for aluminium in the near future, suggests Mr David Morton, chairman of Alcan of Canada. "The auto companies are beating a path to our door," says Mr Vince Scorsone, an executive vice president of the Aluminium Company of America (Alcoa).

The car makers have had enough time to become "comfortable" when using aluminium, he suggests. They understand its strengths and weaknesses, and are less frightened by volatile prices.

"Interest has certainly blossomed in the past year. The auto companies are moving faster than we thought possible," says Dr Gian Frontini, Alcan's vice president, technology and engineering.

Demand is coming from two directions. Firstly, the car manufacturers are using many more aluminium components in conventional vehicles. Then there will be a growing number of "all-aluminium" vehicles. "There are many all-aluminium car projects in Japan, Europe and America and some of these will make it to the road," says Dr Frontini.

Some of the forecasts about this trend make comforting reading for the aluminium producers. Japan's Ministry of International Trade and Industry has predicted that demand for aluminium from Japan's car makers will reach 1.87m tonnes by 1995, more than double the 1989 level. This springs from the knowledge that Japanese car makers have decided that substantial use of the lightweight metal will enable them to meet increasingly stringent fuel economy and pollution regulations in the US, their most important single market, without reducing the size of their vehicles. Nippon Light Metal, a Japanese aluminium company in which Alcan has a 43.3 per cent stake, suggests that cars made in Japan will be 30 to 40 per cent aluminium by the year 2001, up from the present 4.7 per cent.

Similar predictions are being made about European cars, which are now about 5 per cent aluminium by weight. It is widely suggested this will go up to 20 per cent by the year 2000. Mr Jochen Schirner, chairman of VAW, Germany's largest aluminium company, says that even if the increase is only to 10 per cent of the average car, it would mean each new vehicle carries about 100kg of aluminium. This would boost demand for the metal in Europe by about 1.5m tonnes a year – a jump of nearly one third on the present 4.6m tonnes.

US car companies used an average of 80kg of aluminium in each vehicle last year, and some analysts predict this will rise to more than 270kg by the year 2000. If there is some increase in production in that time, an extra 6m tonnes of aluminium might be required.

Put those figures in the context of total aluminium (including scrap) usage last year of not quite 30m tonnes and it is easy to see why the aluminium industry is excited.

Although there is no deny-

It would cost up to $3,000 more for an average car to be made in aluminium

ing the trend, many in the industry believe the demand estimates are inflated. The car makers know they must use more aluminium, but they are not particularly enthusiastic at the prospect. "There is some cost premium associated with using aluminium compared to steel, so the auto companies fight aluminium every step of the way," says Mr Dick Schultz, Alcoa's director, worldwide automotive products and systems.

A Stanford Research Institute study suggests that it would cost between $1,500 and $3,000 more for a 3,000 lb American car to be produced in aluminium rather than steel. Mr Schultz says Alcoa does not agree with that estimate because Stanford did not take into account future changes in technology. "But that shows you what we have to work against."

Alcan's Dr Frontini is equally pragmatic. "Aluminium is going into cars where it brings some value to the auto companies," he says. "Where it is used for a quick fix, just to save some weight, it soon disappears. There has to be a functional reason, not just weight-saving." He gives an example. "Aluminium is staying in auto castings not only because it is lighter but also because it has better heat exchanging capabilities. If aluminium is going to be used for large applications such as body panels or body structures, it must bring benefits – for example, it must cost less."

The aluminium industry believes that the cost of aluminium car components will be drastically reduced by efficient recycling of cars – a movement already well on its way in Germany. But first there will have to be some standardisation of the wide range of alloys used at present. This problem is widely recognised and already the industry seems to be standardising on one alloy for car body sheet.

As for the volatility of aluminium's price, Mr Scorsone says: "We are coming up with programmes for strategic components to have price stability for five to ten years in the future, much farther ahead than you can hedge (metal prices)." But he adds a rider: this won't give across-the-board protection against price changes, but it will be on a very selective basis.

Meanwhile, the car companies are making determined attempts to change the public perception that aluminium is not the right material for cars – that it is too soft or too hard to repair. The Honda NSX "all-aluminium" sports car launched this year is one example, as is the General Motors all-aluminium electric sports car, the Impact. This vehicle attempts to change perceptions in other ways: GM is saying (a) that not only is aluminium a great material for lightweight, sporty cars; and (b) not all electric vehicles have to be milk floats or invalid carriages. GM needs to succeed because it needs electric vehicles to meet California's future car pollution requirements.

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PROFILE: British Alcan

A tale of tough management

BRITISH Alcan Aluminium was one of the British industrial success stories of the 1980s. Two loss-making and seemingly moribund businesses were merged and revived, so that today not only does the group provide substantial primary aluminium production in the UK, but also its products can be found in nine out of ten British households.

But in the past two years British Alcan has fallen deeply into the red. It announced earlier this month that it is cutting by half aluminium production at the Lynemouth, Northumberland, smelter, which affects 300 jobs.

Is this another example of a UK company doing well during the boom in the second half of the 1980s only to fall flat on its face in the 1990s recession?

Not at all, says Mr Doug Ritchie, the Canadian chairman and chief executive of British Alcan. The group entered the recession without the huge debt burden of the past and with modern assets. *Even during the first half of* 1991, when British Alcan suffered a £3.2m loss before tax, the group was able to pay off £6m of debt from the cash it generated.

"In this recession we are generating cash and making a small operating profit. We continue to get the ratios right – inventory to turnover, management to supervision. We don't panic because we are in the doldrums," says Mr Ritchie.

The group has not been *deflected from its strategic* thrust but the pace has been retarded by the recession, he says. On the other hand, "we advanced productivity gains by rolling two years of progress into one".

British Alcan has certainly come a long way since 1982 when Alcan Aluminium of Canada bought British Aluminium for £30m and took on £68m of debt. The combined loss that year was £40m and accumulated losses totalled £251m, reflecting the worst effects of the post-oil crisis slump in world economic activity.

The first task was to rationalise the group, which started out with 70 subsidiaries and 14,000 employees. In 1983-84 this was cut to 24 companies on 66 sites with 10,200 employees. British Alcan became profitable from the outset.

By the end of 1987 the debt load, a combined £221m at the time of the merger, was reduced to about £125m, and the market had improved enough to permit substantial spending on modernisation – "on catching up", as Mr Ritchie puts it. Spending started at an annual £40m and then jumped to £70m in 1989. Mr Ritchie calculates that the modernisation programme has cost more than £240m so far.

Today the group is split into six operating divisions, with 30 manufacturing locations, 26

Alcan needs to invest about £60m a year just to keep capital equipment up to date

warehouses and five offices. About 9,000 employees remain *in the original operations, plus* another 1,000 in new businesses. In 1990 group turnover was £620m and the first loss since the merger was reported – £2m against a previous £33m profit before tax.

British Alcan is roughly one sixth the size of its Canadian parent, in terms of turnover and employment. Its chemicals division is unique within Alcan and is responsible for all the Canadian group's non-aluminium chemicals business worldwide.

It also takes the lead on Alcan's work with difficult 2000 and 7000 alloys for the aerospace industry, and claims to be the world leader in lightweight aluminium-lithium alloys and the superplastic forming of aluminium alloys.

British Alcan is important in Alcan's European strategy. This has seen the Canadian group rationalising so that each product is mainly produced on a large scale at one *place to serve the whole of the* Common Market. The fact that the chief executive of British Alcan has responsibility for Alcan's primary and secondary (scrap) metal operations across Europe reflects one of the *strengths of the UK business.* On the other hand, the chief executive of Alcan Germany takes responsibility for all Alcan's European rolled products operations.

British Alcan's rationalisation process continues – the group took a £7.3m charge for redundancy and restructuring in the first half of this year following a provision of £10m for the closure of the Silvertown foil plant in London and transfer of some of its operations to Glasgow. The group has just merged its extrusions and tubes operations, putting £150m-£200m of business under one instead of three management teams and the product portfolio will be rationalised.

Mr Ritchie says British Alcan needs to invest about £60m a year, or twice the depreciation rate, just to keep capital equipment up to date and to keep pace with increasingly stringent environmental requirements.

Low aluminium prices have forced Alcan in Canada temporarily to shut some high-cost aluminium smelting capacity – and Lynemouth was the group's highest-cost plant. Half the capacity there, one 66,000-tonne production line, is to be shut. The Lochaber smelter in Scotland has also had its capacity cut by half, or by 10,000 tonnes.

However, Mr Ritchie believes that five years from now British Alcan will still have alu*minium smelting capacity,* "but it will be more competitive, with fewer people". He also expects a dramatic increase in aluminium recycling, sparked partly by British Alcan's new £28m dedicated beverage can recycling facility at Warrington. In five years' time British Alcan will also have "a tightened up" extrusion and tubes business; an expanded chemicals business and "I believe we will still be in stockholding and distribu*tion. But the only periphery* businesses that will remain will be profitable ones."

Kenneth Gooding

Jim McCallum on the eastern European upheaval

Soviets set to lead the pack

SINCE the Berlin Wall was torn down two years ago, events in eastern Europe have led to upheaval in the export industries of the former communist bloc.

*No more so than in alumin*ium, where the industry is in the early stages of a thorough restructuring. Many of the old trading arrangements in the eastern bloc have collapsed, with little to take their place.

Instead, producers, particularly in the Soviet Union, are begining to make their own arrangements with western customers. The barter system between the Comecon countries has disappeared and payment is now increasingly demanded in hard currency.

However, with eastern European customers lacking hard currency, an important market for the Soviet aluminium industry is shrinking. So the Soviet industry, which is by far the largest in the region, is turning to the west hoping to find customers and investors.

But so far the impact of *perestroika* on the Soviet aluminium industry has been limited. Just as important as economic factors is the environmental movement, which demands that old, polluting industries either shut down or modernise. Some have secured joint deals with Western com*panies and have begun* modernising, although these remain few and far between. Often the local power station, on which the smelter depends, will also be a pollutant, so saving aluminium production could mean switching the power station away from traditional sources of energy such as brown coal.

Faced with these difficulties, many countries have withdrawn from aluminium production altogether. Eastern Germany no longer has an industry; Hungary has announced it will shut down its three smelters within two years; Poland is down to just one smelter which it is hoping to save with a joint venture; Romania has slashed production at its one large smelter. Only Yugoslavia and the Soviet Union remain, although there must be a question mark over the former as long as the civil war continues; and Czechoslovakia, with one smelter which it looks likely to modernise with Hydro Aluminium of Norway.

Analysts believe the Soviet Union will retain much of its industry, although how much will depend upon the level of Western investment in downstream operations and manufacturing industry. The cheapness and reasonable quality of its aluminium will allow it to

Except for Czechoslovakia, Yugoslavia and possibly Hungary, the industry in the area is likely to die

dominate the regional market. Except for Czechoslovakia, Yugoslavia and possibly Hungary, the rest of the industry in the area is likely to be wiped out.

According to the Metals & Minerals Annual Review, the Soviet Union has a nominal capacity of around 3.5m tonnes per year, but its capacity utilisation is only about 70 per cent.

With aluminium stockpiles building up, Soviet smelters have responded by stepping up exports to western markets. The near doubling in Soviet exports this year has been one of the reasons why the world market price of aluminium has been under pressure.

Statistics lag well behind events. The greater independence given to parts of Soviet industry this year mean economists have far less idea what is being produced. Accurate trade statistics are impossible to come by: some smelters are not declaring hard currency earnings on account with their Western brokers to avoid giving part of it to the state. They are also not declaring exports in order to be able to use accounts in the west to pay for imports of machines.

Analysts nevertheless believe there has been a significant increase in exports. Mr Chris Stobart, director at the Commodity Research Unit, says total Soviet exports remain unchanged at this year at around 700,000 to 800,000 of primary metal.

A much smaller proportion is going to eastern Europe, implying a large increase in Soviet exports to the West. Mr Angus MacMillan at Billiton-Enthoven Metals estimates that in the first six months of this year, the Soviet Union shipped around 300,000 tonnes to the West, up significantly on last year.

Since then, there has been a further increase, with the monthly rate of shipments rising from 50,000 tonnes in the first half of this year, to around 70,000 tonnes in the third quarter of this year. While much of the metal is of the lower quality 99.0 and 99.5 per cent purity, the arrival of such large amounts of aluminium is helping to depress the market (On the London Metal Exchange 99.7 per cent metal is traded).

Furthermore, exports to east Germany are now classified as exports to the west. According to Mr James King, an independent consultant specialising in aluminium and raw materials, the former East German state imported around 150,000 tonnes a year from the Soviet Union – and classified the figures as a Western import.

PROFILE: Pechiney

Lift-off at Dunkirk

MR BERNARD LEGRAND stabs his finger at a chart which illustrates clearly why he is so enthusiastic about the future of the aluminium industry. The chart contrasts the performance of aluminium, copper and steel and, put very crudely, it shows that as countries get richer, they use much more aluminium, while consumption per person of the other two metals falls away.

"This gives me confidence that for the next 10 years the *future is fine for the alumin*ium industry," says Mr Legrand, who is an executive vice president of Pechiney and heads the state-owned French group's aluminium operations world-wide.

His is one of three divisions, the others being packaging (Pechiney owns American National Can and Cebal and is the world's biggest packaging group) and engineered products (including Howmet in the US). Pechiney already is the *fourth-largest producer of pri*mary aluminium outside the former Soviet Union, with an output of roughly 1m tonnes a year, and the second-largest supplier of aluminium ingot to the free market. Mr Legrand says the group wants to maintain this situation and has been expanding its metal production all over the world.

He also stresses the second, *equally important, element of* Pechiney's strategic thrust: it will continue to develop its downstream aluminium activities, but in Europe only. Output of rolled products has been consolidated at Neuf-Brisach in eastern France, which not only cut costs but saw Pechiney emerge with the second-largest business of its kind in Europe, and owner of the world's fourth-largest aluminium rolling facilities.

A Fr560m ($10.41m) invest*ment programme at Neuf-Bri*sach has boosted annual capacity from 300,000 tonnes to 450,000 tonnes in the past six years, and by 1994 it will go up to 550,000 tonnes. Much of the expansion is to keep pace with Europe's growing demand for aluminium can sheet which is growing at 8 per cent a year.

Pechiney also has a foothold in the aluminium extrusion *market in Europe.*

To prove his point that Pechiney is much more than a commodity aluminium producer, Mr Legrand delights in showing visitors to Pechiney's new headquarters in the La Defence development of Paris some of the complex products the group supplies, including a huge aluminium component for the European Airbus which stands like a sculpture in the main entrance.

Nevertheless, Mr Legrand makes it clear, too, that the group does not intend to be left behind as the world demand for primary aluminium grows. It has a 25 per cent share in the Becancour smelter in Quebec, Canada, which has just been expanded from 240,000 to 360,000 tonnes a year at a cost of US$460m. It also it has a 35 per cent interest in the Tomago smelter in Australia where US$200m is being spent to lift capacity from 240,000 to 420,000 tonnes a year by 1993.

In France, Pechiney has reorganised its smelting and other operations in the Alps, where output is about 150,000 tonnes a year, and in the Pyrenees, where production is about 90,000 tonnes. By grouping the plants in each region under one management, there are considerable cost savings and economies of scale.

The future in Europe depends on Pechiney's smelter at Dunkirk which is likely to start up a little ahead of schedule next month. Dunkirk will benefit from a favourable elec*tricity supply contract signed* with Electricité de France (EDF), another state-owned company, which originated because EDF has substantial excess nuclear power capacity.

Pechiney has a 35 per cent shareholding in the company which owns the Dunkirk smelter, and private investors own the rest. The group also has a one-third share in the Dunkirk operating company, along with the ownership company (one third) and EDF. Pechiney will supply all Dunkirk's alumina and will buy all the aluminium.

Dunkirk's output of 300,000 tonnes will partly replace two out-of-date Pechiney smelters in France.

Mr Legrand expects the Dunkirk smelter start-up to be a smooth one. "There is no technology that has not previously been tested on a commercial scale," he points out. The company is acknowledged as a world leader in smelting technology. Nearly every new smelter planned for the 1990s years will use its technology.

Kenneth Gooding

COMMODITIES AND AGRICULTURE

Tin exporters plan 9.1% sales cut next year

THE ASSOCIATION of Tin Producing Countries, which has been trying to generate a recovery in the world market by controlling supply, yesterday announced sharp cuts in exports for 1992 to trim the stockpile and so raise prices, reports Reuter from Canberra.

The association expects that when world stocks fall to about 20,000 tonnes, prices will rise to a commercially viable level.

"I think we can be optimistic that, at the current rate of cutbacks, stocks can get down to about 20,000 by around August 1993," said Mr Redzwan Sumun, the ATPC executive secretary. "This should generate a steady price rise", he added.

A ministerial meeting here of the seven-nation association agreed to cut exports next year by 9.1 per cent to force sales from the world stockpile of 40,000 tonnes. The latest export cut follows one of 6 per cent in 1991.

"The overall stock level remains high and the market is likely to continue to face the threat of over-supply during 1992," said a statement issued by ministers from Australia, Bolivia, Indonesia, Malaysia, Nigeria, Thailand and Zaire.

They cited recession among major western nations, plus political upheaval in Europe and the Soviet Union, as reasons for lower than expected demand for tin.

ATPC cuts in exports in the first half of 1991 reduced the stockpile by 6,000 tonnes and it is expected to be about 37,260 tonnes by the end of this year, Mr Redzwan said.

With the more stringent cuts in exports agreed this week, the stockpile should to fall to some 27,260 tonnes by the end-1992.

Exports by association members were set at a total of 87,091 tonnes for 1992. While Brazil, the world's biggest tin producer, is not an ATPC member, it agreed to cut production in 1992 by 12.8 per cent to 34,000 tonnes. China, which is formally to join the ATPC next year, will limit its 1992 exports to 15,000 tonnes, little changed from 1991. Brazil and China attended the meeting as observers.

The bottom fell out of the tin market in 1985 when the International Tin Council ran out of funds to support prices at artificially high levels.

● The association is to send a delegation to Washington to urge the US government to suspend tin sales until market conditions improve.

The ATPC is concerned that the U.S. Defense Logistics Agency has been authorised to sell 7,000 tonnes of tin a year in the open market.

Rubber pact delegates differ on negotiations

THE INTERNATIONAL Natural Rubber Organisation's council ended the second stage of a three-day meeting yesterday with consumer and producer members unable to agree whether to start negotiating a new rubber pact, delegates said, reports Reuter from Kuala Lumpur.

The meeting resumes today, when both sides are expected to continue to debate whether to prepare for talks to renegotiate the current five-year International Natural Rubber Agreement, which runs until December 1993, they said.

"Consumers and producers are taking opposite stands at this juncture," an Asian delegate said.

"We feel that the early preparations (for the talks) are not premature," said Mr Ahmad Farouk S. M. Ishak, spokesman for the producers.

The producers are pressing for early negotiations and to strengthen the pact's buffer stock mechanism, which aims to regulate world prices. Analysts said consumers felt it would not be in their interest to start fresh talks because prices were low.

Soviet aluminium flood predicted to subside

By Kenneth Gooding, Mining Correspondent

THE FLOOD of aluminium from the former Soviet Union to the west, which has helped to depress prices severely, is only a short-term phenomenon, according to the Anthony Bird Associates consultancy group.

In its latest Aluminium Analysis it says: "Exports will die out in the medium and longer term. There is even a chance that exports could end abruptly if the inefficient and largely obsolete Soviet aluminium industry were to join in the general Soviet economic collapse."

Aluminium prices are probably at an all-time low in real terms, when inflation is taken into account, and Bird says they have over-reacted badly to the recession because the supply surplus is not all that severe.

"Stocks are still rather small by historical standards – perhaps 6 per cent of annual consumption. It would take no very marked recovery in demand and dip in supply to produce a return of shortage conditions.

"And we expect that will happen by about 1994."

LME WAREHOUSE STOCKS (As at Monday's close) tonnes	
Aluminium	+8,425 to 750,425
Copper	-2,600 to 297,325
Lead	-525 to 104,675
Nickel	-84 to 7,854
Zinc	+1,375 to 149,850
Tin	-45 to 13,435

Bird says that prices should rally strongly in 1993 and 1994, perhaps to $1.05 a lb in 1994 in today's money compared with an average of about 60.2 cents this year. They could reach an even higher level if the dollar continues to fall, the analysis suggests.

It forecasts that primary aluminium production will fall from 14.8m tonnes this year to 14.56m tonnes in 1992 and climb to 15.4m tonnes in 1993. Consumption is predicted to be 15.4m tonnes in 1992, up from 14.85m tonnes this year, and rise again to 16.2m tonnes in 1993.

"Aluminium Analysis," quarterly. £475 a year from Anthony Bird Associates, 193, Richmond Road, Kingston upon Thames, Surrey KT2 5DD, England.

India set to exceed 1990 tea production

By Kunal Bose in Calcutta

INDIA, the world's biggest tea producer, is set to harvest a 1991 crop in excess of last year's production of 714.7m kg.

Nevertheless, industry officials believe that the current season's production may fall marginally short of the target of 735m kg.

In the first eight months of the current season, India produced 452m kg of tea, 18.25m kg more than in the corresponding period last year, in spite of adverse weather in northern growing areas at the beginning of the season. If it had not been for the poor conditions the objective could have been easily achieved.

J. Thomas and Company, India's biggest tea auctioneer, has forecast that the crop in the north will be about 560m kg, while the estates in the south will harvest some 175m kg. In 1990 the the harvests were 544.2m kg and 170.5m kg respectively.

According to J. Thomas, the industry – "encouraged by the remunerative price realisation for orthodox tea throughout 1990" – would step up the production of this variety to 158m kg, including 8m kg of green tea, from 148.2m kg last year. The rest, 577m kg, it said, would be CTC (cut, rest and curl) tea, the type favoured in the UK.

India hopes to be able to export 210m kg of tea in the current year compared with 200m kg last year. In line with the recent trend, the Soviet Union will be the biggest importer, with purchases totalling about 120m kg.

Increased buying by the UK, whose imports of Indian tea declined by 6m kg to a historic low of 24.3m kg in 1990, is expected this season. Germany and Japan are continuing to show strong demand.

A feature of Indian tea exports in recent years has been the growing volume of overseas sale in value-added form. In 1990, out of the total exports of 200m kg packet tea accounted for 91m kg.

As India is the only producing country that has to satisfy a huge domestic market, with consumption growing an an annual rate of about 20m kg, it will be impossible to find an export surplus of anything more than 230m kg unless substantial new acreage is brought under tea cultivation.

As a result, the Indian government is seeking to boost export earnings by increasing added value. ● India has offered to ship tea to Singapore for retail packaging and re-export, according to Mr Yogesh Mohan Tiwari, India's high commissioner there, Reuter reports from Singapore.

A mango market waiting to ripen

Alastair Guild surveys a palatable but under-developed fruit

MANGOES HAVE been described as the fruit trade's next avocado, a fruit which has moved off the Western shopper's "exotic" list to be commonplace. The mango is already the second most consumed fruit in the world, after grapes, but only 2 per cent of total production of more than 7m tonnes is traded on globaly – most are consumed locally.

The fruit showed some of its promise during the 1980s, when UK mango imports increased by nearly 400 per cent, to 10,000 tonnes, worth £20m, approaching the value of avocado imports and making the UK the largest European mango importer. By 1989, total European Community fresh mango imports reached 33,600 tonnes, worth about £60m.

It has been a highly fragmented market, however. While only a handful of countries supply the bulk of avocadoes, over 50 countries are trying to sell mangoes into the UK. Such diversity of supply has made it difficult to promote mangoes to the consumer.

There are over 1,000 known varieties. Fruit has appeared on shop shelves in many different shapes, sizes and colours. Few countries have been able to supply mangoes during the European winter. As a result prices have fluctuated confusing the consumer in the process.

Mali in West Africa faces difficulties common to most producers. Its fruit is generally reckoned to be among the largest and tastiest. Yet in Mali, one of the world's poorest countries, piles of what could be a valuable foreign currency earner rot at the side of the road.

The absence of any large scale orchards is part of the explanation for the marketing problem. Most of the mangoes are grown and picked by Malian peasants owning only a small number of trees. The small scale of production consequently makes it difficult to keep disease under surveillance, to sift out substandard mangoes at the time of picking, and to ensure the swift assembling of loads for export.

Land-locked Mali's distance from the sea is another disadvantage. A Dutch mission is scheduled to investigate soon how to improve facilities for the export of mangoes. High on their agenda will be storage facilities at the country's main airport and for utilising spare air freight capacity on flights to Europe.

Possibly the most important reason for the poor export performance is the colour and texture of the fruit. Market research by importers indicates that between 80 per cent and 90 per cent of consumer purchases are made on the basis of visual appearance. Mangoes coloured green to red are preferred to green to yellowing mangoes of the type mostly grown in Mali.

Most consumed after grapes but only 2 per cent of global output is traded

Mali grows excellent mangoes of exportable quality but those produced in the largest quantities are considered too fibrous for the Western consumer. The high cost of the initial capital investment required has discouraged concentration on more marketable varieties. The bulk of the 1,554 tonnes of mangoes exported by Mali to Europe in 1989, went to France with its large African population.

India accounts for about 70 per cent of the global mango output. It has started to process its mostly highly fibrous varieties turning 19,000 tonnes into pulp and 15,000 tonnes into into fruit juice concentrate worth about $35m. Over 30,000 tonnes of fresh mangoes grown on its western seaboard are shipped to Middle Eastern markets such as Saudi Arabia and Kuwait mangoes. Yet the greater part of India's output, like that of Mali, is not considered suitable for export and is consumed locally.

Unlike any other producer, Puerto Rico grows mangoes primarily for export, with only 5 per cent consumed on the island. It ships 7,000 tonnes a year to Europe and the US, a volume expected to increase to 9,000 tonnes within three years. Exports to the UK grew by nearly 5,000 per cent during the 1980s, giving it third largest market share after Venezuela and Pakistan. Puerto Rican exports to Europe are currently worth more than $5m a year.

Its mango production is concentrated in two major plantations, one of 100,000 trees and another half the size, made up of half a dozen varieties including the Florida-type popular with European consumers. The mixture of varieties planted now enables Puerto Rico to supply the European market for eight months of the year, compared with the three or four months covered by most other producers.

Concentrating production in orchards has meant a high initial investment. More than $10m was spent on the largest plantation with no return for four years until the trees start yielding . But the investment has made it easier to monitor and treat disease, as well as to harvest the crop. The farms have been centralised around modern packing equipped with cold storage and sophisticated grading equipment. They are also close to the ports by motorway.

The last port of call in the Caribbean, Puerto Rica has a regular shipping service to Europe. Its mangoes are taken as return cargo, with a 10-day journey time to the UK. But air freight has brought European supermarkets within the reach. Picked when nearly ripe, the fruit can be in the shop within three or four days and sold within a week. Transporting mangoes by sea is roughly one third of the cost of air freight.

It is only recently that the Puerto Ricans have perfected the techniques of treating mangoes before shipment. Now, if a few over-ripe mangoes slip through the net, they will not automatically ripen the whole cargo as happened previously.

Puerto Rico's mango export drive has been backed by the state's government. But Israel and South Africa remain the only two producers with marketing boards dedicated to promoting mango exports.

Future growth in exports will depend partly on the ability of producing countries to spread the growing season, according to Mr Angus Hone, a specialist in exotic fruits at the Overseas Development Administration's Natural Resources Institute.

He says: "July, August and September are ghastly months for mangoes in supermarkets, they are in competition with so many soft fruits from Europe. A week or two either way can make such a difference to the price. During the winter season, 4.5 kg cartons can fetch over £10 wholesale, double the price in late August.

"Nigeria could become a major supplier were it to devalue. Indonesia is a huge producer but doesn't yet export. In the north of Queensland they're trying to develop mangoes, but again its just too far from markets."

Kenya together with Israel, Brazil, Peru and South Africa keeps Europe supplied with mangoes during the winter. It could become another major round-the-year producer, according to David Hurst, UK representative of COLEACP (Liaison Committee Europe-Africa-Caribbean – Pacific) which promotes the tropical fruits of the 30 countries of the African, Caribbean and Pacific group.

He says: "Because it has different climatic zones, Kenya can produce different varieties at different times of the year, but then again the market is looking for a standard size and colour throughout the year, Florida-type varieties introduced to Kenya. We tested 35 different varieties from across the world and some didn't flower at all."

Any rain during flowering or harvesting can be disastrous, since those diseases most adversely affecting mangoes are spread by rain drops, and during periods of high humidity.

Mr Hirst believes that "the future for mangoes lies in the containerised shipment of the better understood, subtropical varieties."

"Whereas the ripening process and optimal conditions for transporting bananas and avocadoes have been heavily researched, those for mangoes are not yet well understood, and that's because they have not sold in sufficient volumes to justify the research." It remains an undeveloped product in his opinion.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,670 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.80-2.35 (1.90-2.45).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 17.50-18.50 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 70-90 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.19-2.25 (2.23-2.28).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 59-67 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.35-2.45 (same).

URANIUM: Nuexco exchange /value, $ per lb, U_3O_8, 8.75 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER PRICES rallied at the London Metal Exchange yesterday with the cash price regaining £10 of Monday's £17 fall to close at £1,375.50 a tonne. Dealers said trading was "routine", however. News of fresh rioting in Zaire and that labour contract talks were to resume today at British Columbia's Highland Valley mine had little effect on sentiment, they said. But they also noted *background talk of possible* industrial unrest in eastern European copper mines. Copper's rise was reported to have been helped by a rally in the aluminium market, where the cash positions $4 advance to $1,199.50 a tonne wiped out all but $1 of Monday's fall. Dealers attributed the upturn to rumours of further output cuts by North American producers. However, Aluminium Company of America denied that it planned to take primary smelting capacity *out of production. The zinc market* continued to follow the course of aluminium prices, the cash position ending $7.50 up at $986 a tonne after having fallen $10 yesterday. Dealers reported light *speculative interest although the* fundamental picture remained bearish. Robusta coffee futures prices continued to find good support, though trading was thin. The January price closed at £563 a tonne, up another £5.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$18.95-9.05z	-.075
Brent Blend (dated)	$22.65-2.75	-.25
Brent Blend (Dec)	$22.35-2.45	-.15
W.T.I. (1 pm est)	$23.55-3.66z	-.175
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$238-240	
Gas Oil	$223-225	-4.5
Heavy Fuel Oil	$85-87	
Naphtha	$218-222	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$363.0	-1.4
Silver (per troy oz)♣	416.5c	-3.5
Platinum (per troy oz)	$366.5	-4.5
Palladium (per troy oz)	$85.25	-1.10
Copper (US Producer)	110.25c	+0.05
Lead (US Producer)	37.8c	-0.02
Tin (Kuala Lumpur market)	14.93r	-0.04
Tin (New York)	258.0c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	103.46p	+1.16*
Sheep (dead weight)†	112.49p	+4.71*
Pigs (live weight)†	73.27p	+0.93*
London daily sugar (raw)	$234.8j	-2.0
London daily sugar (white)	$288.0j	+1.0
Tate and Lyle export price	£246.0	-0.5
Barley (English feed)	£117.0	
Maize (US No. 3 yellow)	£140.0	
Wheat (US Dark Northern)	£101.0	
Rubber (Nov)♥	54.50p	+0.25
Rubber (Dec)♥	54.00p	+0.25
Rubber (KL RSS No 1 Nov)	228.0m	+0.5
Coconut oil (Philippines)§	$565.0y	
Palm Oil (Malaysian)§	$342.5u	
Copra (Philippines)§	$355.0j	
Soyabeans (US)	£151.0	-0.5
Cotton "A" index	67.45c	-0.10
Wooltops (64s Super)	367p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Jan t-Sep/Dec u-Nov x-Sep/Oct y-Nov/Dec z-Dec j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)				
Raw	Close	Previous	High/Low	
Dec	200.00	200.00	200.00	184.00
Mar	196.00	191.00	196.00	190.00
May	195.60	192.00	195.60	190.00
Oct	199.00		199.00	182.50
White	Close	Previous	High/Low	
Dec	288.0	284.0	288.0	283.5
Mar	285.0	280.9	285.1	280.0
May	284.7	281.0	284.7	279.4
Aug	285.5	281.8	285.5	280.5
Oct	262.0	258.5	262.0	257.0
Dec	261.0	257.0	261.0	256.0

Turnover: Raw 254 (141) lots of 50 tonnes. White 1326 (1890)
Paris- White (FFr per tonne): Dec 1663.31, Mar 1650.69 (latest).

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low	
Dec	22.49	22.67	22.60	22.33
Jan	22.20	22.33	22.23	22.05
Feb	21.94	21.97	21.92	21.82
Mar	21.48	21.65	21.52	21.48
Apr	21.21	21.23	21.22	21.20
May	20.98	20.93	20.96	
IPE Index	22.58	22.55		

Turnover 15249 (13419)

GAS OIL – IPE ($/tonne)	Close	Previous	High/Low	
Nov	221.50	224.50	226.00	221.25
Dec	222.75	225.25	226.25	222.50
Jan	219.50	221.25	221.25	219.00
Feb	211.00	212.50	213.00	211.00
Mar	202.00	202.75	203.25	202.00
Apr	194.00	196.00	195.50	193.75
May	188.00	189.50	189.00	188.00
Jun	184.50	185.25	185.00	184.50
Jul	183.50		183.00	

Turnover 12741 (15624) lots of 100 tonnes

COTTON
Liverpool- Spot and shipment sales for the week ending October 22 amounted to 409 tonnes against 29 tonnes in the previous week. Fair trading developed mostly in Californian and west African qualities.

JUTE
November/December c and f Dundee; BTC $405, BWC $415, BTD $370, BWD $360; c and f Antwerp: BTC $380, BWC $375, BTD $355, BWD $350.

COCOA – London FOX (£/tonne)	Close	Previous	High/Low	
Dec	744	743	746	569
Mar	784	783	785	774
May	806	803	809	796
Jul	829	826	829	820
Sep	851	849	853	839
Dec	876	873	873	865
Mar	903	898	903	890
May	920		911	910
Jul	938	934	930	

Turnover: 3546 (5258) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct. 21 929.81 (950.33) 10 day average for Oct. 22 962.67 (968.08)

COFFEE – London FOX (£/tonne)	Close	Previous	High/Low	
Nov	540	535	547	539
Jan	563	558	572	561
Mar	576	573	583	575

Turnover: 3584 (2110) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct. 21: Comp. daily 64.63 (64.76) 15 day average 62.29 (62.12)

POTATOES – London FOX (£/tonne)	Close	Previous	High/Low	
Apr	130.5	131.4	133.0	130.3

Turnover 212 (186) lots of 20 tonnes

SOYAMEAL – London FOX (£/tonne)	Close	Previous	High/Low	
Dec	132.00	132.60	132.50	132.00

Turnover 100 (1) lots of 20 tonnes

FREIGHT – London FOX ($10/index point)	Close	Previous	High/Low	
Oct	1661	1668	1660	1656
Nov	1686		1695	1675
Dec	1676	1696	1680	1675
Jan	1710	1717	1715	1701
Apr	1704	1717	1715	1705
Jul	1473		1470	
Oct	1560		1550	
BFI	1643	1643		

Turnover 661 (253)

GRAINS – London FOX (£/tonne)				
Wheat	Close	Previous	High/Low	
Nov	118.30	118.60	118.40	118.25
Jan	122.00	122.20	122.00	121.90
Mar	124.95	125.20	125.00	124.90
May	127.65		127.70	127.55
Jun	128.90	129.10	128.85	
Barley	Close	Previous	High/Low	
Nov	114.05	114.05	114.00	
Jan	117.75	117.85	117.80	
Mar	120.50	120.60	120.50	

Turnover: Wheat 541 (122), Barley 27 (9)
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg	Close	Previous	High/Low	
Nov	98.5	98.5	98.5	98.0

Turnover 5 (27) lots of 3,250 kg

MGMI – London FOX	Close	Prev.	High	Low	Vol
Index	135.03	135.21			
Nov	136.00	136.10	136.00		10
Dec	136.10	136.20	136.10	135.90	20
Jan	136.10	136.10	136.10	135.90	20
Mar	136.10	136.20	136.10		10
Sep	137.20		137.20		10

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 22,113 lots
Cash	1189-200	1195-6	1195/1194.5	1194.5-5		
3 months	1228-9	1224-5	1238/1220	1223-4	1236-7	124,390 lots
Copper, Grade A (£ per tonne)						Total daily turnover 17,298 lots
Cash	1375-6	1365-6	1366	1366-7		
3 months	1360-1	1352-3	1362/1355	1356.5-6	1362-3	107,918 lots
Lead (£ per tonne)						Total daily turnover 1,370 lots
Cash	301.5-2.5	302-3	302-301.5	301.5-1.75		
3 months	314-4.5	314.5-5	314.5/313.5	313.5-3.75	313-5	12,436 lots
Nickel ($ per tonne)						Total daily turnover 3,262 lots
Cash	7385-95	7420-30	7416	7410-5		
3 months	7430-5	7470-5	7475/7400	7450-60	7430-50	18,881 lots
Tin ($ per tonne)						Total daily turnover 1,502 lots
Cash	5570-80	5560-70	5560	5555-65		
3 months	5635-40	5630-5	5640/5620	5620-2	5630-5	5,433 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4,987 lots
Cash	985-7	976-9		981.5-2.5		
3 months	1004-5	997-8	1008/998	1001-2	1006-7	26,867 lots

LME Closing £/$ rate: SPOT: 1.7185 3 months: 1.6944 6 months: 1.6771 9 months: 1.6604

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	362.80-363.20	
Opening	362.85-363.25	
Morning fix	362.90	211.851
Afternoon fix	362.35	211.468
Day's high	363.20-363.60	
Day's low	362.20-362.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	4.80	6 months	4.66
2 months	4.76	12 months	4.60
3 months	4.73		

Silver fix	p/fine oz	US cts equiv
Spot	242.75	415.75
3 months	248.95	421.15
6 months	256.00	426.65
12 months	267.25	438.70

GOLD COINS (Prices supplied by Engelhard Metals)	$ price	£ equivalent
Krugerrand	382.50-383.50	211.50-212.00
Maple leaf	373.50-374.50	218.00-218.50
New Sovereign	88.25-88.75	51.50-52.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1150	79	117	12	23
1250	24	59	55	62
1350	4	25	135	126
Copper (Grade A)	Calls		Puts	
2200	130	125	10	46
2300	60	72	39	91
2400	20	38	98	154
Coffee	Jan	Mar	Jan	Mar
500	67	81	4	5
550	31	45	18	19
600	12	21	48	45
Cocoa	Dec	Mar	Dec	Mar
725	36	84	17	26
750	22	69	28	35
775	14	55	45	47
Brent Crude	Dec	Jan	Dec	Jan
2200	63	62	28	59
2250	36	2	36	
2300	18	31		

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Oct	363.9	363.8	363.0	362.8
Nov	364.4	364.3	0	0
Dec	366.0	365.9	366.1	364.7
Feb	368.9	368.8	369.0	367.6
Apr	371.7	371.6	371.8	370.4
Jun	374.5	374.4	374.1	373.5
Aug	377.4	377.3	377.2	377.2
Oct	380.3	380.1	0	0
Dec	383.4	383.2	382.9	382.9

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Oct	369.4	373.2	371.0	369.0
Jan	371.4	375.2	373.0	370.2
Apr	374.9	378.7	375.8	374.0
Jul	378.5	382.3	0	0
Oct	385.3	389.1	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Oct	413.6	414.3	0	0
Nov	414.4	415.2	0	0
Dec	416.2	417.0	417.0	414.0
Jan	418.2	419.0	0	0
Mar	422.7	423.6	423.5	421.0
May	427.1	428.1	426.5	426.5
Jul	431.2	432.3	430.0	430.0
Sep	435.7	436.9	0	0
Dec	442.6	443.7	443.0	440.5
Jan	445.3	446.4	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	106.20	106.10	106.60	106.15
Nov	105.65	105.60	105.60	105.60
Dec	104.90	104.80	105.50	104.40
Jan	103.90	103.75	104.10	103.50
Feb	103.30	103.15	0	0
Mar	102.70	102.60	103.10	102.50
Apr	102.20	102.10	0	0
May	101.70	101.65	102.05	101.70
Jun	101.35	101.30	0	0
Jul	100.80	100.75	101.25	101.25

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Nov	23.53	24.04	23.75	23.33
Dec	23.70	23.93	23.71	23.34
Feb	23.20	23.32	23.17	23.05
Apr	22.55	22.66	22.55	22.45
May	22.26	22.39	22.26	22.20
Jun	22.02	22.17	22.03	21.98

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Nov	6965	7018	6985	6925
Dec	7065	7122	7065	7025
Feb	6880	6941	6895	6860
Apr	6240	6305	6240	6240
Jun	5930	5985	5930	5930
Jul	5870	5935	5870	5860

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Dec	1177	1188	1179	1156
Mar	1241	1249	1242	1220
May	1274	1283	1276	1258
Jul	1305	1310	1305	1298
Sep	1335	1338	1332	1321
Dec	1370	1373	1368	1355
Mar	1405	1407	1405	1394
May	1430	1432	0	0
Jul	1459	1457	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Dec	83.60	83.80	84.35	83.35
Mar	87.85	88.20	88.25	87.30
May	90.35	90.55	90.55	90.00
Jul	93.05	93.10	93.00	92.75
Sep	95.55	95.40	95.60	95.40
Dec	98.75	98.90	0	0
Mar	102.35	102.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	8.95	8.67	8.98	8.68
May	8.81	8.56	8.88	8.56
Jul	8.75	8.52	8.83	8.53
Oct	8.72	8.51	8.81	8.72
Mar	8.56	8.44	0	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Dec	63.22	62.67	63.34	62.68
Mar	65.15	64.62	65.30	64.70
May	65.90	65.77	66.05	65.67
Jul	66.83	66.65	66.90	66.65
Oct	65.75	65.75	65.75	65.70
Dec	65.71	65.62	65.80	65.70
Mar	66.97	67.05	67.05	67.05

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Nov	165.80	168.50	168.50	166.50
Jan	165.00	168.10	168.00	165.00
Mar	165.25	168.15	168.00	164.60
May	165.00	167.85	167.75	164.60
Jul	164.00	166.85	164.80	164.00
Sep	162.50	165.25	0	0
Nov	158.25	158.00	0	0
Jan	156.25	157.00	0	0
Mar	158.25	157.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct 22	Oct 21	mnth ago	yr ago
1650.4	1647.3	1638.1	1734.0

DOW JONES (Base: Dec. 31 1974 = 100)	Oct 21	Oct 18	mnth ago	yr ago
Spot	114.27	114.73	117.96	128.61
Futures	123.99	123.86	124.12	128.05

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Nov	556/4	547/4	559/0	546/2
Jan	567/0	559/6	570/4	558/0
Mar	579/0	570/6	581/4	569/4
May	588/2	580/2	592/0	579/4
Jul	596/2	588/6	599/0	587/4
Aug	597/4	591/4	597/4	590/4
Sep	587/4	582/0	594/0	585/0
Nov	592/2	583/2	595/0	583/4

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Oct	19.51	19.44	19.52	19.37
Dec	19.74	19.63	19.85	19.58
Jan	19.94	19.83	20.01	19.78
Mar	20.27	20.15	20.37	20.16
May	20.56	20.43	20.66	20.43
Jul	20.83	20.71	20.91	20.72
Aug	20.94	20.83	21.10	20.88
Sep	21.07	21.00	21.20	21.03
Oct	21.07	21.02	21.10	21.05

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Oct	182.4	182.4	183.5	179.7
Dec	181.4	179.1	182.3	178.5
Jan	180.1	177.9	180.8	177.3
Mar	178.7	176.7	179.5	176.3
May	177.2	174.8	177.5	174.2
Jul	177.0	174.8	177.5	174.5
Aug	177.0	175.0	178.0	174.7
Sep	177.0	175.0	177.5	175.0
Oct	189.5	187.0	189.5	187.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Dec	254/2	250/4	255/0	249/4
Mar	264/0	260/0	264/6	259/2
May	270/6	266/4	271/4	265/4
Jul	275/2	270/6	275/6	270/2
Sep	262/2	259/2	264/0	258/6
Dec	256/2	255/2	260/0	254/2

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Dec	360/6	355/0	363/0	354/0
Mar	361/2	356/6	362/6	356/0
May	349/6	347/2	351/4	346/0
Jul	333/0	330/6	334/0	330/0
Sep	339/4	336/4	339/4	336/4
Dec	351/0	347/4	351/0	346/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	72.67	72.80	73.25	72.60
Dec	76.42	76.65	76.80	76.37
Feb	75.90	75.97	76.10	75.85
Apr	75.87	75.80	76.05	75.70
Jun	72.55	72.67	72.87	72.50
Aug	70.52	70.65	70.95	70.52
Oct	71.00	71.10	71.50	71.00

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
Oct	42.05	42.17	42.25	41.80
Dec	42.75	42.67	42.90	42.50
Feb	42.12	42.20	42.30	42.02
Apr	40.77	40.87	40.95	40.75
Jun	45.75	45.80	46.00	45.75
Jul	45.67	45.87	46.00	45.65
Aug	44.55	44.55	44.60	44.45
Oct	41.17	41.12	41.30	41.15

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Feb	42.75	42.75	43.25	42.60
Mar	42.57	42.47	43.02	42.30
May	43.77	43.52	43.95	43.25
Jul	44.10	43.95	44.25	43.55
Aug	41.65	41.52	42.20	41.55

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LONDON STOCK EXCHANGE

Share prices continue to give ground

By Terry Byland, UK Stock Market Editor

ANOTHER drab session in UK equities yesterday saw share prices give further ground on mounting nervousness regarding economic prospects on both sides of the Atlantic. Uncertainty over the outlook for Wall Street was emphasised in late trading by reports that President Bush was contemplating tax cuts. At home, the UK trade figures for September were no better than expected and did little to answer the market's doubts on the progress of the UK economy.

Trading volume remained unimpressive, although once again there was ready support from the institutions for specific stock placings. Yesterday's placing came in Hambros, the UK merchant bank, where 7.8m shares were placed, representing a 3.8 per cent stake held by Mitsui Bank; the shares quickly moved into the portfolios of leading institutions.

The London market opened lower after Wall Street confirmed widespread nervousness by falling 16 Dow points overnight. Increasing doubt over the ability of the US economy to stage a recovery from recession focused attention yesterday on the US bond market. Also discouraging equities was the latest cash call, a £160m rights issue from De La Rue to fund its purchase of Inter Innovation of Sweden.

UK stocks steadied and tried to edge up towards overnight levels. Buying support was thin, however, and the rally was reversed following the announcement of uninspiring UK trade figures for last month; a current account deficit of £529m was above forecasts in the City of London which had been pitched around the £430m mark.

From then on, it was downhill for most of the day for UK equities, as London waited uneasily for New York to open. With Wall Street down by 5 Dow points in early trade, the UK market closed at the day's low. The FT-SE Index was finally 16.2 off on the session at 2,559.5.

Seaq-reported volume increased to 468.1m shares from Monday's 387.6m, with yesterday's total taking in the Hambros deal. Retail business in equities has remained unexciting for the past week, and was worth only £698m on Monday.

"There just isn't any good news around," commented a leading trader one of the larger UK securities houses. Reports in the UK press that the Confederation of British Industry, which represents Britain's top industrial managers, had expressed strong criticism of the government and the banking community served to increase the City's unhappiness with the uncertainty on both political and economic fronts.

With the pound a shade easier in the second half of the session, fund managers were inclined to keep away from the international stocks. Glaxo and ICI closed with very modest losses.

Among the consumer issues, breweries attracted some interest after Allied-Lyons disclosed plans to merge its brewing and wholesaling activities with Carlsberg, a move which will increase its share of the UK industry. Allied shares advanced but the spotlight ranged across the sector as analysts assessed the implications of the Allied-Carlsberg plans for the weaker members of the UK brewing industry.

The poor UK retail volumes for September disclosed on the previous day continued to bear down on stores.

Account Dealing Dates

First Dealings:	Oct 14	Oct 28	Nov 11
Option Declarations:	Oct 24	Nov 7	Nov 21
Last Dealings:	Oct 25	Nov 8	Nov 22
Account Day:	Nov 4	Nov 18	Dec 2

*New-time dealings may take place from 9.30 am two business days earlier.

Allied venture pleases

THE MARKET welcomed Allied-Lyons' joint venture with Carlsberg, and the shares were marked 9 higher in early trade.

Analysts were united in acclaiming the tie-up as good for Allied. Mr John Wakely at Lehman Brothers said: "It is a great deal. Allied has a weak lager portfolio and Carlsberg's is strong. It makes sense on the production side, too. Allied will have about 20 per cent of the beer market, compared with Bass's 22 per cent."

Share trading was brisk, with an above average 2.1m shares changing hands. The market's afternoon weakness served, however, to drag Allied back from its early peak to end at 607p for a net gain of just 2.

Allied was the second most heavily traded instrument in the traded options market. The equivalent of almost 1.4m shares changed hands there.

The prospect of stronger competition hurt some other stocks in the drinks sector. Scottish & Newcastle was badly hit, sliding 8 to 404p in its busiest day's trading this month. Bass lost 7 to 984p. Sentiment in Breweries was also affected by statistics showing an 11 per cent fall in August beer production.

Abbey lower

A profits downgrade by UBS Phillips & Drew triggered a substantial late decline in Abbey National, which settled 9 lower at 279p on keen turnover of 3.6m. Abbey shares have come back sharply from an all-time peak of 309p achieved in September this year.

Mr John Wriglesworth at UBS said: "While Abbey National remains an inherently reliable cash generating machine we believe the share price will show some weakness over the short term as the scale of bad debt charges becomes apparent."

"There is increasing evidence," said Mr Wriglesworth, "that Abbey's bad debt cycle will have a very long and flat tail after it has peaked this year; bad debts will remain high for at least two more years as existing record high serious arrears cases continue to feed through to become properties in possession."

UBS lowered its current year profits forecast from £640m to £620m and that for 1992 from £730m to £695m. The broker chopped its dividend forecast for 1992 from 12p to 11.75p.

De La Rue bounces

Sentiment in De La Rue, the security printing group, changed course rapidly after the company announced it was making a one-for-three rights issue at 350p to raise £160m. The cash will be used partly to buy Swedish company Inter Innovation.

The share price dipped to 425p before bouncing almost immediately to close just 2 down on the day at 446p. Turnover was high for the stock.

Mr Vighnesh Padiachy at BZW said the company's interim results, also released yesterday, were better than he had expected. De La Rue posted profits 10 per cent higher at £31.1m.

He added that the striking price of the deeply discounted rights issue had been depressed by difficulties with recent rights offers by other companies. He argued that the market's reaction yesterday showed that the discount had been overdone.

Hambros placing

A burst of activity in shares of Hambros Bank, represented, dealers said, the placing at 269p a share of Mitsui Bank's 4.5 per cent shareholding. The stake represented a line of 7.8m shares.

Lehman Brothers declined to comment on the sale but market observers said the placing was heavily oversubscribed. The Seaq screen provided evidence that a block of 7.8m Hambros shares had been traded at 266p and a line of 7.5m at 269p, indicating a bought deal giving Lehman a turn of 3p a share on the transaction.

The placing caused only minimal damage to the Hambros share price, which settled at 277p, down 8.

A late sell-off of Dixons shares came as the market caught scent of a profits downgrading from Cazenove. The broker was said to have visited Circuit City, a US electrical retail chain, and found trading difficulties there. As a result, Cazenove is said to have pencilled in a loss of between £12m and £15m at Dixons' US operation Silo.

Mr Nick Hawkins, retailing analyst at Kleinwort Benson, said the whole electrical retailing sector in the US had been badly hit. "Dixons have described Circuit City as its role model, and if it is suffering then Silo certainly must be," he said.

In the past, Mr Stanley Kalms, Dixons' chairman, has said the company would pull out of the poorest regional markets in the US if trading conditions did not pick up.

Dixons shed 6 to 247p, with 246p the closing mid-price for all traders except one. Turnover was an above average 2.2m shares.

Guinness ignored the weak market and put on 4 to 1027p ahead of a share split expected next week.

Commercial radio operator Transworld Communications jumped 7 to 66p after the UK Radio Authority said Emap, the publisher, could acquire up to 29.99 per cent of the issued share capital of the company.

There was a flurry in the Brent Walker share price as rumours circulated that an unnamed German group might become involved in a rescue of the company. The shares touched 24p before ending at 22p for a net gain of a penny.

A leisure sector seminar at Smith New Court, the UK securities house, helped Ladbroke resist the market trend. The stock closed unchanged at 258p.

Concern about the safety of Glaxo's patents on its, and the world's, best selling drug Zantac continued to overshadow the shares. Mr Martin Hall at UBS Phillips & Drew said the conjunction of two patent suits and moves on October 11 to prepare the ground for an over-the-counter version of the drug meant caution was appropriate. He said Glaxo "must be worried about their ability to prevent generic competition after 1995", which is when the first set of patents runs out. Glaxo fell 19 to 1404p.

Boots remained in positive territory all day ahead of the likely recommendation for approval in the US of the company's heart drug Manoplax. The decision is due tomorrow. The shares firmed 4 to 433p.

SmithKline Beecham lost 12 to 747p in unexceptional volume amid much talk of downgradings from analysts ahead of third-quarter figures due on October 29.

Allied London Properties dropped 6 to 86p after posting a year-end loss of £4.8m, compared with a profit last time of £6.1m. The company increased its provision for falling land prices by £2m to £10m.

Scottish Metropolitan continued its recent weakness as brokers shunned the stock following poor results and a cancelled dividend last week. The shares slipped another 4 to 71p. The gloomy mood spilled over into the rest of the property sector. Greycoat weakened 5 to 156p and Hammerson dropped 20 to 567p.

The big institutions continued to lighten their holdings of the utilities after the recent spate of opinion polls showing a swing away from the ruling Conservative party. Water shares, highly sensitive to shifts in sentiment away from the government, were again under pressure. Severn Trent lost 10 more to 315p, as did Wessex Water, 390p, while North West dipped 4 to 358p.

The regional electricity stocks were no worse than uncomfortable, dealers said. The Electricity Package declined 45 to £2723.

Ultramar eased to 347p after persistent small selling pressure ahead of the expiry of the October 280 calls, which were said to have triggered Lasmo's move against Ultramar.

Lasmo, slightly firmer at 322p, continued to attract keen two-way interest. As County NatWest put it: "Lasmo's position in the Ultramar bid looks like a stark choice between victory or death. Either the company will snatch Ultramar for a steal (which is less unlikely with Elf apparently out of the picture) or it will be in danger itself."

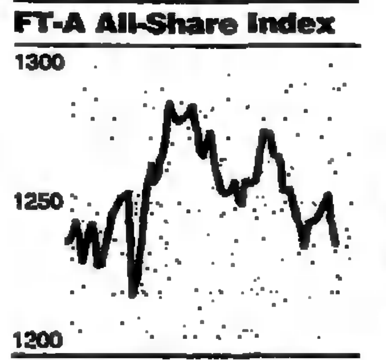
Eurotunnel bounced 8 to 430p after its two-week downward slide, with dealers saying it had fallen far enough. Poor sentiment following a presentation at Kleinwort Benson left BBA down 7 at 144p. Negative Press comment caused Rolls-Royce to give up 2 to 134p.

Turnover in T & N increased to 7.9m as the shares gave up 6 to 152p after a large line of 3.5m was said to have been placed at 149p.

MARKET REPORTERS:
Daniel Green,
Joel Kibazo, Steve Thompson.

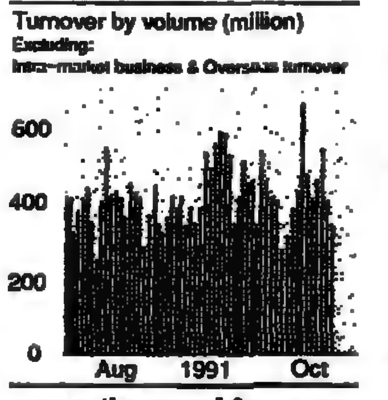
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 25.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (60). BRITISH FUNDS (2) Treas. 2pc IL 1990, Tr. 2pc IL 1994, AMERICANS (1) BankAmerica, BANKS (4) [illegible] ... CAT. [illegible], Silentnight, UDO, Unilever, Wassall, Worcester, INSURANCE (1) Lloyd Thompson, LEISURE (2) Campari, Grampian TV A, MOTORS (2) Central Motor Auctions, Evans Halshaw, NEWSPAPERS (2) News Corp., News Intl. Spec. Div., PAPERS (1) St. Ives, PROPERTY (4) Burford, Molyneux Ests., Mayne Nickless, Vard A, SOUTH AFRICANS (1) SASOL, TRUSTS (2) Anglo Scandinavian, Biotech Prt., OILS (9) Bow Valley, Burmah

[illegible] ... Indl., Hanson Warrants, Melville, Nobo, RMT, LEISURE (4) Kunick, TSW, TVS Ent., Do. 7.4pc PL, NEWSPAPERS (1) Mirror Group News., PAPERS (1) Saril Cowells, PROPERTY (8) Cap. & Counties 5¾pc PL, Danbury, Daree Ests., Five Oaks, Greycoat, Hammerson A, Rosehaugh, Scot. Metropolitan, TRANSPORT (2) All Nippon Airways, P & O Warrants 1986-92, TRUSTS (1) EFM Java, MINES (1) Young Grp.

FINANCIAL TIMES STOCK INDICES

	Oct 22	Oct 21	Oct 18	Oct 17	Oct 16	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.22	86.28	86.46	86.56	86.64	79.95	87.84 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.27	96.38	96.59	96.59	96.67	88.86	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1963.4	1978.2	1995.5	1986.8	1980.5	1638.9	2109.3 (2/9)	1606.3 (16/1)	2109.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	174.8	170.2	165.9	164.3	163.9	169.9	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2559.5	2575.7	2601.1	2588.7	2579.0	2110.5	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1165.88	1158.75	1165.60	1161.08	1156.25	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.72	4.70	4.66	4.71	4.73	5.85				
●Earning Yld %(full)	7.48	7.44	7.37	7.42	7.47	12.18				
●P/E Ratio(Net)(★)	16.70	16.80	16.95	16.83	16.73	9.95				
SEAQ Bargns 4.45pm	22,673	23,651	23,449	24,612	23,960	16,510				
Equity Turnover(£m)†	-	898.16	970.94	961.21	897.72	653.48				
Equity Bargains†	-	23,226	23,315	23,705	23,795	17,789				
Shares Traded (ml)†	-	348.9	411.6	545.9	468.2	375.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ★ Nil 15.85

Ordinary Share Index, Hourly changes — Day's High 1974.3 — Day's Low 1963.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1972.9	1970.0	1972.6	1973.7	1972.8	1970.6	1970.0	1967.4	1964.6

FT-SE 100, Hourly changes — Day's High 2571.9 — Day's Low 2559.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2568.9	2567.1	2570.9	2571.4	2569.6	2567.0	2565.5	2563.6	2561.0

FT-SE Eurotrack 200, Hourly changes — Day's High 1158.26 — Day's Low 1153.80

Open	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1156.56	1156.81	1156.06	1153.80	1157.32	1157.12	1155.75

GILT EDGED ACTIVITY

Indices*	Oct 21	Oct 18
Gilt Edged Bargains	75.3	69.1
5-Day average	75.7	75.9

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
AGT	4	485	-9	Cookson	888	124	-1	Lucas	2,400	137	-4	Severn Trent Water	1,800	315	-10
ASDA Group	8,900	40	-1	Courtaulds	1,800	502	+7	MB Caradon	199	232	-2	Shell Transport	2,800	526	-4
Abbey National	3,600	279	-9	Dalgety	730	381		MEPC	427	463		Siebe	738	528	-1
Albert Fisher	3,600	96	+3	De La Rue	836	446	-2	[illegible]	115	313	-5	Slough Ests	1,300	239	-8
Allied-Lyons	2,200	607	+2	Dixons	2,200	247	-6	Marks & Spencer	3,400	277		Smith (W.H.) A	459	446	+3½
Amstrad	2,800	32	-½	ECC Group	145	487	-3	Maxwell Comms	580	149	-7	Smith & Nephew	4,800	129½	+2
Anglian Water	345	356	-4	Eastern Elect.	1,800	342	-7	Midland Bank	1,600	250	-7	SmKl Beecham	1,300	747	-12
Argos	479	321	+2	East Midland Elect.	35	361	-8	Midlands Elect.	127	271	-5	SmKl Beecham Uts.	82	[illegible]	-30
Argyll Group	8,400	272	-1	Enterprise Oil	361	540	-2	NFC	2,000	218	-1	Smiths Inds.	321	286	+6
Arjo Wiggins	1,000	239	+2	Eurotunnel Units	188	430	+8	NatWest Bank	4,200	327½	-7½	Southern Elect.	383	271	-3
Ass. Brit. Foods	77	474	-2	FKI	1,200	83		National Power	7,900	180½	-2	South Wales Elect.	64	323	-6
[illegible]															
British Gas	4,500	251½	-2½	Hillsdown	1,900	204	-1	Redland	380	384	+1	Unigate	842	327	-3
British Land	849	296	-3	IMI	230	232	-2	Reuters	861	971	-13	Unilever	2,300	898	+12
BP	1,900	345½	-2½	ICI	377	1230	-3	Rolls Royce	1,200	134	-2	United Biscuits	3,700	359	+2
British Steel	8,800	118	-1	Inchcape	93	394	-2	[illegible]	272	1157	+8	Utd. Newspapers	258	387	-2
British Telecom	6,700	384	-4	Kingfisher	1,300	544	-2	Ryl Bk Scotland	1,000	183		Vodafone	1,800	377	+2
Bunzl	1,180	98	-1	Ladbroke	880	258		Royal Insurance	1,200	321	-3	Wellcome	320	746	
Burmah Castrol	889	563	-1	Land Securities	744	505	+1	Saatchi	2,300	33		Welsh Water	887	368	-2
Burton	11,000	46	-1	Laporte	319	684	-1	Sainsbury	1,300	365	-1	Wessex Water	339	390	-10
Cable & Wire.	1,200	558	-5	Legal & General	2,400	380	-5	Scottish & New.	1,800	404	-8	Whitbread 'A'	646	462	-2
Cadburys	1,300	419	-1	Lloyds Abbey	787	306		Scot. Hydro-Elect.	2,500	111	-½	Williams Hldgs.	2,200	332	-3½
Calor Group	38	348	-2	Lloyds Bank	2,800	395	-9	Scottish Power	4,500	107	-1½	Willis Corroon	874	294	-3
Carlton Comms.	95	486	-3	LASMO	1,200	322	+1	Sears	1,800	86		Wimpey	1,200	158	+7
Coats Viyella	1,300	184		London Elect.	492	282	-5	Sedgwick	31	240		Yorkshire Elect.	133	282	-4
Comm. Union	772	477	-3	Lonrho	1,100	250	-2	Seaboard	356	273	-2	Yorkshire Water	1,500	386	-6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

DEALERS talked of a quiet day on the traded options market with few large features of note, although turnover exceeded Monday's poor levels, writes Joel Kibazo.

Eastern Electricity was the most active stock option with a total of 1,600 lots dealt in a three-sided trade. Most of that total was done by a leading UK house, which bought 500 of the November 250 calls and sold 500 of the February 250 calls and 500 of the February 250 puts.

Allied-Lyons, the brewery group, was the day's second busiest trade with a total of 1,368 lots. It was followed by BT, in which 1,259 contracts changed hands. Total turnover reached 26,265, slightly up on Monday's levels, of which 5,121 were calls and 11,144 were puts. Dealers said they hoped that today's closing of the October series options would boost turnover.

On the Liffe, dealers spoke of a squeeze early in the session, pushing the December Footsie future forward. However, weakness in the bond market caused early gains to disappear. Good two-way business was noted around the 2,600 level. The premium on the December contract ended around eight points above the estimated fair-value premium of around 35.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

Continued on next page

APPOINTMENTS

Healthcall Group picks chairman

■ Mr Christopher Stewart-Smith (*pictured*) has been appointed chairman and joined the board of HEALTHCALL GROUP PLC, whose core activity involves the provision of duty doctor services for 9,000 general practitioners and their 20m patients throughout the UK.

The company plans to focus its attention on the increasing number of opportunities within healthcare, and has recently launched a national on-site optical service for the elderly in care, commerce, industry and school children.

Mr Stewart-Smith is a director of a number of public companies including Conder Group, Life Sciences International and Williamson Tea Holdings. He is a member of the southern advisory board of National Westminster Bank and deputy president of the Association of British Chambers of Commerce.

■ Mr Gavyn Davies and Mr David Morrison, managing directors of GOLDMAN SACHS INTERNATIONAL LTD, have been appointed co-heads of Goldman Sachs London Investment Research, combining the economic and equity research departments.

They joined the firm in 1986 and helped to build up a UK and international economics department consistently ranked very high in investors' surveys in London.

Mr Charles Brown, a leading chemical industry analyst, has been named director of London equity research. He moved to Goldman Sachs in London in 1987 from Hoare Govett, where he had been director of research.

The changes have followed the transfer of Mr Jeffrey Weingarten from his role as head of equity research in London to his new post as head of Goldman Sachs Asset Management Group in London.

■ Mr Martin Harper is joining the board of the AGRICULTURAL MORTGAGE CORPORATION as a non-executive director and nominee of the Bank of England, the principal AMC shareholder with a 27 per cent stake.

Mr Harper worked for Midland Bank for 20 years, and subsequently became banking director of Keyser Ullmann. He is currently a director of Minories Finance (formerly Johnson Matthey Bankers), where he was appointed at the request of the Bank of England in December 1988, and is also a director of RoyScot Trust, part of Royal Bank of Scotland.

■ Following a review of the future strategy for the development of SUN LIFE FINANCIAL ASSOCIATES in the tied agency market, the management of the company has been strengthened by the appointment of Mr John Simmonds as managing director. He was formerly with Equity & Law.

■ ROYAL INSURANCE has made Mr Ron Way finance director, Royal Life Estates Ltd, for which he had been acting as a financial consultant for the past six months.

■ ASHURST MORRIS CRISP has appointed Mr Ian Johnson as a partner. He will further strengthen the firm's energy group.

■ Within the WELLINGTON UNDERWRITING GROUP, Mr Anthony Cooper, managing director of Wellington Underwriting Holdings, is to assume the position of chief executive of Wellington Underwriting Agencies, while Mr Julian Cusack, presently managing director of Wellington Underwriting Services, becomes managing director of Wellington Underwriting Agencies.

Mr Cusack replaces Mr George Ibbett, who will be joining R.M. Pateman Underwriting Agencies at the end of the year.

Mr Guy Norrie, managing director of Wellington Members Agency, is appointed deputy chairman, and Mr Julian Carr, who joined the group this January when Wellington acquired I.C. Agnew Underwriting, takes over Mr Norrie's role of managing director.

■ Mr Graham Jamieson has become deputy managing director of BLE SIMPKIN MACHIN, the Sheffield manufacturer of smoke, fire protection and energy conservation systems which is owned by Portals Holdings.

■ At ROWE EVANS INVESTMENTS, the Indonesian oil palm and rubber producing group, Mr Philip Fletcher, a director, has taken on the post of managing director.

■ BERTAM HOLDINGS, the Malaysian oil palm and rubber group, has named director Mr Peter Hadsley-Chaplin as managing director.

■ OMI INTERNATIONAL has made Mr Brian Hill a non-executive director. He is chief executive of the BBA Group engineering division.

Within BBA Group, Mr Hill is executive chairman for a range of manufacturing companies in the UK, Europe and North America.

LONDON SHARE SERVICE

AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33¼	20⅞	Abbott Laboratories$	32⅛xd	–⅛	$1.00	–	1.8
385p	225p	♦Allegheny & W 1c.	234p	+4	30c	–	7.6
10¼	667p	Amdahl 5c.	847pxd	+20	10c	–	0.7
42¼	25¼	Amer. Cyanamid $5	37½	–⅛	$1.50	–	2.4
17⅞	9⅞	Amer. Express 60c	11⅝xd	–⅛	$1.00	–	5.1
24½	15¼	American T. & T. $1	23¾xd	+¼	$1.32	–	3.3
38⅞	32½	Ameritech $1	35	....	$3.40	–	5.7
26⅜	12⅜	BankAmerica $1⅝	26⅝xd	+1⅜	$1.20	–	2.7
37⅞	20⅛	Bankers N.Y. $1	37⅛xd	+⅛	$1.52	–	7.7
30½	24¼	Bell Atlantic $1	26¼xd	+⅛	$2.52	–	5.7
31¼	25	BellSouth Corp	27½	+⅛	$2.76	–	5.9
11¼	6⅞	♦Bethlehem Steel $8	8⅞	....	40c	–	2.7
1839p	1046p	Bowater Inc.	1365p	+1	$1.20	–	5.2
54⅜	37⅞	CPC Intnl. 25c	47⅛xd	–⅛	$2.00	–	2.5
930p	420p	California Engy	870p	....	–	–	–
50	28¼	Campbell Soup 15c	44⅞xd	–⅛	$1.16	–	1.5
12⅜	5⅞	Chase Manhattan $12½	10⅞xd	+⅛	$1.20	–	6.6
9⅞	5½	Chrysler $6¼	6⅛xd	–⅛	60c	–	5.6
10⅞	5⅞	Citicorp $1	6⅛xd	–⅛	–	–	–
26½	21⅛	Colgate-Palmolive $1	24⅞xd	–2⅛	$1.06	–	2.6
928p	436p	Cont'l Bank Corp $4	628p	–3	60c	–	5.6
21⅝	13⅞	Dana Corp. $1	16⅞xd	–¼	$1.60	–	5.6
1257p	203p	Data General	1168p	+14	–	–	–
24	12⅞	Dial Crop. $1.5	23⅝xd	....	$1.40	–	3.5
29⅞	20⅛	Dun & Bradstreet $1	28½	–⅛	$2.16	–	4.5
40	24¼	Eaton Corpn. 50c	37	+¼	$2.20	–	–
8½	5½	Echlin Inc	7¼xd	....	70c	–	5.7
20½	14⅞	FPL Group 1c	19⅞xd	–⅛	$2.40	–	7.3
30⅞	17⅞	Fluor Corp 62½c	26⅛xd	....	32c	–	0.7
23¼	13¼	Ford Motor $1	16⅞	–⅛	$1.60	–	3.6
46⅞	28⅞	Gen. Elect. 63c	41⅛xd	–⅛	$2.04	–	2.9
566p	270p	♦General Host Corp $1	460p	+3	34c	–	4.4
45¼	20⅞	Gillette $1	24½xd	+⅛	62c	–	1.5
18¼	794p	Hasbro Inc 50c	17½	....	24c	–	0.8
38½	21¼	Honeywell $1½	32⅛xd	–⅛	$1.50	–	2.8
23¼	17⅞	Houston Inds.$	22½	+⅛	$2.96	–	7.7
72⅝	55⅞	IBM Corpn $1¼	58⅞xd	+⅛	$4.84	–	4.9
32½	18⅞	Ingersoll-Rand $2	29⅞	–⅛	$1.33	–	2.7

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
330	283	Amber Ind. 10p	283	–5	16.5	2.1	7.8	7.8
40	20	Amberley Group 2½p	39	....	‡1.5	0.9	6.7	21.9
1075	530	Amer Grp Free A FM20	820	+25	Q10%	0.6	3.6	47.2
160	80	Andrews Sykes £1	135	....	4.4	2.4	4.3	11.8
♦41½	28½	Anglo Utd. 20p	36½	....	g1.6	–	5.8	–
3	1	Antares Group 5p	1¼	....	–	–	–	–
138	113	♦Apollo Metals 10p	123	....	†3.0	4.1	3.3	10.1
39½	26½	Armour Trust 10p	35	....	1.42	2.5	5.4	9.8
117	78	Assoc Belt Cmts 20p	103	....	6.4	1.4	8.3	11.5

INDUSTRIALS (Miscel.) – Contd.

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
94	73	Marling Ind. 10p	94	....	4.2	0.8	6.0	32.4
88	19	Mayborn Group 5p	78	....	†3.8	2.2	6.5	7.8
33	18	Mayflower Crp. 5p	31	....	–	–	–	22.1
240	73	Medeva 10p	229	–6	†0.75	3.6	0.4	69.8
98	38	Meltrite Group 10p	38	–1	3.2	1.5	11.2	7.9
166	130	Metsec 10p	158	....	6.4	2.6	4.7	8.1
21	9	Mn Allied Spls 12½p	18	–½	–	–	–	79.1
182	128	MITIE Group 50p	181	+1	2.0	6.0	1.5	12.8
644	490	Mitsubishi Crp Y50	639	–3	Q16%	–	0.6	–
♦283	190	Morgan Crucible	263	+1	†g12.4	1.9	6.4	12.3

INSURANCES

LEISURE

هكذا منه الأصل

LONDON SHARE SERVICE

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LEISURE – Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS – Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC – Contd

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES – Contd

Australians

Tins

Miscellaneous

1991 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
605	404	RTZ 10p	554	–5	19.5	1.7	4.7
11	3¼	Thorco Res. Inc	8		–	–	–
10	2	Vizcaya Hldgs 5p	2½		–	–	–
152	64	Wstrn & Pac Res	65	+1	–	–	–
133	114	Young Group 10p	114	–1	5.2	1.8	6.1

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 β	638	......
Finlay Pkg. 5p β	28	......
Holt (Jos) 25p β	1985	......
Helton Hldgs γ	37	......

IRISH

Cap. 8½% Ln 2010	£95¼	......
9pc Cap Ln. 1996	£98¾	......
Fin. 13% 97/02	£114	......
Arnotts	190	......
IRG	125	......
United Drug	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp	48
BTR	33

P & O Dfd	41
Racal Elect	6
RHM	29
Rank Org Ord	55
Ratners	12
Reed Intnl	35
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	11
Tesco	23

Property

Oils

Mines

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

Bishopsgate Progressive Mgmt Co (1200)F

Brewin Dolphin Unit Tst Mngrs Ltd (0905)F

Commercial Union Tst Mngrs – Contd.

Confederation Funds Mngt Ltd (1200)F

GA Unit Trust Mngrs Ltd (1000)H

GT Unit Managers Ltd (1200)H

INVESCO MIM UT Mngrs Ltd (1000)F

M & G Securities – Contd.

Murray Johnstone UT Mgmt (1000)H

NFU Mutual Unit Mngrs Ltd (1400)F

NM Unit Trust Mngrs (1200)H

Rothschild Fund Management – Contd.

Royal Life Fd Mgmt Ltd (1000)F

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

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Sovereign Unit Tst Mngrs Ltd (1000)F

Standard Chartered Equities (1200)F

Funds in Court*

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Allied Dunbar Assurance Plc

Century Life Plc

Eagle Star Life Assurance Co Ltd

Guardian Royal Exchange

Legal & General – Contd.

Manulife Group – Contd.

INSURANCES

OTHER UK UNIT TRUSTS

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	107.8	113.5	-0.5	-
Pension Managed Fd	106.4	112.0	-0.6	-
Life Deposit Fd	110.1	115.9	....	-
Pension Deposit Fd	116.5	122.7	....	-

For National Fis see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

Harvester Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	168.6	177.5	...	-
UK Equity	179.1	188.6	...	-
Overseas Equity	134.7	141.8	...	-
Fixed Interest	154.1	162.3	...	-
Property	134.2	141.3	...	-
Index Linked	152.0	160.1	...	-
Deposit	162.6	171.2	...	-
With Profits (B)	133.0	140.1	...	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	357.8	376.7	-1.1	-
UK Equity	450.7	474.5	-2.7	-
Overseas Eq	347.7	366.1	+0.5	-
Americas	293.1	308.6	-0.4	-
Far East	381.2	401.3	-0.5	-
Property	193.8	204.0	-0.2	-
Fixed Int	269.8	284.0	-0.3	-
Indexed Gilt	161.3	169.8	-0.3	-
Deposit	186.7	196.6	+0.1	-
With Profit	104.0	109.5	...	-
Pension Fund (Accum Units)				
Managed	515.5	542.7	-1.6	-
UK Equity	610.5	642.7	-3.4	-
Overseas Eq	586.2	617.1	-0.1	-
American	370.3	389.8	+0.3	-
Far East	622.6	655.4	-1.0	-
Property	246.6	259.6	-0.3	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	228.6	241.2	-1.5	-
UK Fixed Int Acc	186.1	196.4	....	-
Intl Equities Acc	175.8	185.5	-0.3	-
UK Managed Acc	176.2	185.8	-0.8	-
Property Acc	226.4	238.9	-	-
Money Acc	132.8	140.1	+0.1	-
Special Market Acc	152.8	161.2	+0.2	-
Japan Equity Acc	107.2	113.1	-	-
North American Acc	105.2	111.0	-0.6	-
Pacific Acc	95.1	100.4	+0.3	-
Technology Acc	124.0	130.9	-1.0	-
Nat Resources Acc	57.7	60.9	+0.8	-
European Acc	100.8	106.4	+0.2	-
Residential Prop Acc	94.6	99.8	-	-
Swiss Equities Acc	33.8	35.7	-	-
Hong Kong Acc	67.9	71.7	+0.2	-
UK High Inc Eq Acc	74.4	78.5	-0.4	-
Int Fixed Interest Acc	60.2	63.6	-	-
Int Managed Acc	56.8	59.9	-0.1	-
HIP Managed Acc	118.5	125.0	-0.6	-
HIP Managed II Acc	103.7	109.3	-0.4	-
HIP Managed III Acc	110.9	116.9	-0.2	-
Total Investment Bond				
UK Equity Initial		155.1	-1.0	-
UK Fixed Int Initial		126.5	-	-
Intl Equities Initial		118.5	-0.3	-
UK Managed Initial		119.8	-0.4	-
Property Initial		155.0	-	-
Money Initial		90.7	-	-
Special Market Initial		118.4	+0.1	-
Japan Equity Initial		83.0	-0.1	-
North American Initial		82.6	-0.4	-
Pacific Initial		73.8	+0.3	-
Technology Initial		96.2	-0.6	-
Nat Resources Initial		44.7	+0.6	-
European Initial		90.3	+0.3	-
Residential Prop Init		90.1	-	-
Swiss Equities Initial		32.2	-	-
Hong Kong Initial		64.7	+0.1	-
UK High Inc Eq Init		71.0	-0.2	-
Int Fixed Interest Init		58.3	-	-
Int Managed Init		55.0	-0.1	-

Finexco International Ltd
PO Box 193, St Peter Port, Guernsey 0481 713100

	Bid Price	Offer Price	+ or -	Yield Gross
Intl $ Strategy Fd	$1.093	1.176	....	-
Intl £ Strategy Fd	£1.309	1.408	....	-
Intl DM Strategy	DM1.749	1.881	....	-
$ Defensive Strategy Fd	$1.937	2.083	....	-
$ Aggressive Strategy Fd	$1.963	2.111	....	-
Underwritten by Providence Capital Intl.				
UK Property Bond		101.0	...	-
Underwritten by Providence Capital Life Assurance				

Independent Financial Group PLC
Windsor Court, Clarence Drive, Harrogate, HG1 2PE 0423 523311

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Funds				
APM Managed (Skilz)	176.0	185.2	-0.3	-
APM B.I. & Growth	112.3	118.1	-	-
APM Bond Fund (Target)	104.5	110.0	-	-
APM Univ Bd (S & P)	50.8	53.8	-	-
Pensions Managed Funds				
APM Exclusive Pen (RH)	155.7	163.9	-	-
APM Mngd Pen (Skilz)	660.8	695.5	-1.6	-
APM Mngd Pen (Target)	80.9	87.0	-	-

Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St. Peter Port, Guernsey, C.I. 0481 710461

Lazard Select Investment Trust Ltd

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Global Active	½	£10.42	10.42	10.62	—	1.00
UK Active	½	£11.43	11.43	11.70	—	5.80
UK Liquid Assets	½	£10.00	10.00	10.05	—	10.00
UK Index	½	£11.83	11.83	12.32	—	4.3
US Index	½	£13.78	13.78	14.30	—	2.8
Japan Index	½	£7.529	7.529	7.743	—	0.2
Europe Index	½	£11.21	11.21	11.63	—	3.2

Lion World Fixed Income Fund

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up on rate speculation

THE dollar rose to a three-week high against the yen as speculation grew that Japanese interest rates will soon be cut to prevent lower growth next year.

Most of the dollar's gains were made in Asian trading hours after Mr Yasushi Mieno, governor of the Bank of Japan, was reported to have said that Japanese interest rates are on a declining trend.

Reports of the central bank governor's comments triggered short-covering of dollar-yen positions and the dollar closed in London at Y131.15, up from Y130.7 and its highest level since the first week of October.

Over the past fortnight there have been growing calls from industrial and political leaders inside Japan for an immediate reduction in the official discount rate, which stands at 5.5 per cent.

They have argued that Japanese firms are being starved of funds and that monetary policy must be eased if lower growth next year is to be avoided.

With the Bank of Japan having said in the past that there is no need for a change in interest rates, Mr Mieno's remarks are regarded in the currency market as being particularly significant.

But there was no sign from the Bank of Japan's operations in the Tokyo money markets that there was about to be an immediate loosening in monetary policy. Overnight money rose by an ⅛ point to just over 6⅜ per cent as the Bank drained liquidity from the system. Money dealers believe there will be a rate cut next month.

The yen's weakness has also begun to erode the gains which it made in the run-up to the recent Group of Seven meeting in Bangkok, when the markets speculated that the finance ministers would agree to revalue the yen to head off trade friction between the US and Japan.

The dollar closed at DM1.6945 from DM1.6905; at FFr5.7825 from FFr5.7675; but was lower at SFr1.4800 from SFr1.4805. On the Bank of England's figures, the dollar's index rose 0.2 to 64.8.

Inside the ERM, the D-Mark was bolstered by the talk of lower Japanese and US interest rates. The mark was also helped by the weakness in other major ERM currencies. Sterling remained depressed by political factors; the French franc is under pressure after the recent cut in interest rates; and the Italian Lira was weakened as millions of workers took part in a strike against the government's cost-cutting plans.

Sterling was weaker as the effect of recent opinion polls which put the Labour party ahead of the Conservatives continued to weigh on sentiment.

There was speculation that the Bank of England had intervened to support the pound, but currency analysts were sceptical.

Sterling closed unchanged at DM2.9050; at Y224.75; at FFr9.9150; and was lower at $1.7145 from $1.7190; and at SFr2.5375 from SFr2.5450. Sterling's index fell 0.1 to 90.3.

£ IN NEW YORK

Oct.22	Latest	Previous Close
£ Spot	1.7140-1.7150	1.7170-1.7180
1 month	0.79-0.78pm	0.81-0.80pm
3 months	2.10-2.08pm	2.09-2.06pm
12 months	7.07-7.00pm	7.12-7.05pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.22	Previous
8.30 am	90.3	90.4
9.00 am	90.3	90.4
10.00 am	90.3	90.5
11.00 am	90.2	90.4
Noon	90.2	90.4
1.00 pm	90.2	90.5
2.00 pm	90.3	90.4
3.00 pm	90.3	90.4
4.00 pm	90.3	90.4

CURRENCY MOVEMENTS

Oct 22	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.3	-21.0
U S Dollar	64.8	-14.7
Canadian Dollar	107.0	+4.3
Austrian Schilling	109.0	+11.5
Belgian Franc	110.7	-2.3
Danish Krone	108.1	+3.2
D-Mark	117.0	+24.0
Swiss Franc	109.3	+17.8
Dutch Guilder	113.4	+15.6
French Franc	101.8	-13.7
Lira	98.5	-19.9
Yen	142.1	+75.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.21

CURRENCY RATES

Oct 22	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.791282	0.704302
U S Dollar	5.00	1.36314	1.20612
Canadian $	8.46	1.53599	1.35966
Austrian Sch	7.50	16.1614	14.4022
Belgian Franc	8.00	47.3521	42.1357
Danish Krone	9.50	8.89290	7.91638
D-Mark	7.50	2.29607	2.04678
Dutch Guilder	8.00	2.59078	2.30658
French Franc	10¼	7.84419	6.98402
Italian Lira	11½	1718.06	1531.16
Japanese Yen	5.50	177.481	158.303
Norway Krone	8	9.01172	8.02031
Spanish Peseta	–	144.996	128.986
Swedish Krona	10.00	8.37786	7.45440
Swiss Franc	7.00	2.01131	1.78988
Greek Drach	19	N/A	228.028
Irish Punt	–	N/A	0.765448

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Oct.21

OTHER CURRENCIES

Oct 22	£	$
Argentina	16958.7 - 16985.7	9900.00 - 9910.00
Australia	2.1525 - 2.1545	1.2570 - 1.2580
Brazil	1028.50 - 1029.65	600.600 - 600.900
Finland	7.0340 - 7.0725	4.1150 - 4.1180
Greece	320.600 - 325.700	187.150 - 190.150
Hong Kong	13.2715 - 13.2850	7.7510 - 7.7530
Iran	115.50*	67.00*
Korea(Sth)	1274.40 - 1294.95	743.80 - 752.90
Kuwait	0.49545 - 0.49625	0.28780 - 0.28810
Luxembourg	59.80 - 59.90	34.85 - 34.95
Malaysia	4.7040 - 4.7125	2.7470 - 2.7490
Mexico	5241.95 - 5248.45	3061.00 - 3063.00
N.Zealand	3.0370 - 3.0405	1.7725 - 1.7745
Saudi Ar	6.3940 - 6.4705	3.7500 - 3.7510
Singapore	[illegible]	[illegible]
S.Af (Cm)	[illegible]	[illegible]
S.Af (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	6.2995 - 6.3370	3.6715 - 3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 22	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.986	-3.48	4.94	60
Belgian Franc	42.4032	42.1457	-0.61	1.91	33
Italian Lira	1538.24	1531.16	-0.46	1.76	27
D-Mark	2.05586	2.04678	-0.44	1.74	33
Dutch Guilder	2.31643	2.30658	-0.43	1.72	25
Irish Punt	0.767417	0.765448	-0.26	1.55	15
Danish Krone	7.84195	7.91635	0.95	0.34	-40
Sterling	0.696904	0.704302	1.06	0.23	-21
French Franc	6.89509	6.98402	1.29	0.00	-66

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct. 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7105 - 1.7155	1.7140 - 1.7150	0.78-0.76cpm	5.39	2.09-2.06pm	4.84
Canada	1.9255 - 1.9345	1.9325 - 1.9335	0.44-0.36cpm	2.48	1.15-1.02pm	2.25
Netherlands	3.2675 - 3.2775	3.2675 - 3.2775	⅜-¼cpm	1.15	1-¾pm	1.07
Belgium	59.65 - 59.95	59.80 - 59.90	9-4cpm	1.30	20-15pm	1.17
Denmark	11.2095 - 11.2505	11.2325 - 11.2425	1½-⅞orepm	1.27	3½-2¾pm	1.05
Ireland	1.0850 - 1.0885	1.0850 - 1.0860	0.03-0.07pdis	0.55	0.05-0.15pm	0.37
Germany	2.9025 - 2.9080	2.9025 - 2.9075	⅜-¼pfpm	1.29	⅞-⅝pm	0.95
Portugal	249.10 - 250.30	249.70 - 250.20	5-25cdis	-0.72	82-136dis	-1.74
Spain	182.75 - 183.70	182.90 - 183.10	27-46cdis	-2.39	79-108dis	-2.04
Italy	2170.20 - 2176.75	2172.50 - 2173.50	1-2liredis	-0.83	4-5dis	-0.83
Norway	11.3590 - 11.3945	11.3825 - 11.3925	½-⅛orepm	0.46	½-⅜pm	0.15
France	9.8995 - 9.9265	9.9100 - 9.9200	1¾-1¼cpm	1.51	3¼-2¾pm	1.16
Sweden	10.5585 - 10.5915	10.5775 - 10.5825	par-⅝oredis	-0.35	⅞-1⅛dis	-0.45
Japan	224.25 - 225.30	224.25 - 225.25	⅞-⅝ypm	4.34	2⅜-2¼pm	4.12
Austria	20.41 - 20.46	20.42 - 20.45	2⅛-1gropm	0.92	4⅞-2¼pm	0.75
Switzerland	2.5325 - 2.5480	2.5325 - 2.5425	⅝-⅜cpm	2.36	1⅞-1¼pm	1.97
Ecu	1.4165 - 1.4225	1.4180 - 1.4190	0.12-0.08cpm	0.85	0.19-0.13pm	0.45

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.96-3.91cpm. 12 Month 7.15-7.05cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7105 - 1.7155	1.7140 - 1.7150	0.78-0.76cpm	5.39	2.09-2.06pm	4.84
Ireland†	1.5740 - 1.5795	1.5785 - 1.5795	0.66-0.61cpm	4.83	1.78-1.68pm	4.38
Canada	1.1245 - 1.1275	1.1265 - 1.1275	0.26-0.29cdis	-2.93	0.71-0.76dis	-2.61
Netherlands	1.9075 - 1.9145	1.9090 - 1.9100	0.64-0.67cdis	-4.12	1.85-1.89dis	-3.92
Belgium	34.85 - 35.00	34.85 - 34.95	11.00-13.00cdis	-4.13	31.00-36.00dis	-3.84
Denmark	6.5445 - 6.5700	6.5525 - 6.5575	2.15-2.45oredis	-4.21	6.10-6.70dis	-3.91
Germany	1.6905 - 1.6995	1.6940 - 1.6950	0.58-0.59pfdis	-4.14	1.67-1.70dis	-3.98
Portugal	145.85 - 146.30	146.05 - 146.15	71-78cdis	-6.12	250-265dis	-7.05
Spain	106.00 - 107.10	106.70 - 106.80	67-73cdis	-7.87	185-195dis	-7.12
Italy	1265.75 - 1270.75	1267.25 - 1267.75	6.30-6.70liredis	-6.15	18.00-19.00dis	-5.84
Norway	6.6350 - 6.6555	6.6400 - 6.6450	2.75-3.05oredis	-5.24	7.75-8.25dis	-4.82
France	5.7750 - 5.7940	5.7800 - 5.7850	1.89-1.94cdis	-3.97	5.46-5.56dis	-3.81
Sweden	6.1650 - 6.1895	6.1700 - 6.1750	2.85-3.10oredis	-5.78	8.10-8.56dis	-5.39
Japan	130.90 - 131.50	131.10 - 131.20	0.12-0.13ydis	-1.14	0.25-0.26dis	-0.78
Austria	11.9160 - 11.9480	11.9300 - 11.9350	4.15-4.55grodis	-4.37	11.60-12.90dis	-4.11
Switzerland	1.4785 - 1.4870	1.4795 - 1.4805	0.36-0.38cdis	-3.00	1.08-1.12dis	-2.97
Ecu	1.2045 - 1.2090	1.2080 - 1.2090	0.49-0.45cpm	4.67	1.35-1.28pm	4.35

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 22	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10¹¹⁄₁₆ - 10⁹⁄₁₆	10⅝ - 10½	10⅝ - 10½	10⅝ - 10½	10⅜ - 10¼	10¼ - 10⅛
US Dollar	5¼ - 5⅛	5⅜ - 5¼	5¼ - 5⅛	5½ - 5⅜	5½ - 5⅜	5¾ - 5⅝
Can. Dollar	8 - 7¾	8¼ - 7⅞	8 - 7¾	8 - 7⅞	7⅞ - 7¾	8 - 7⅞
Dutch Guilder	9¼ - 8⅞	9¼ - 9	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
Swiss Franc	8¼ - 8	8¼ - 8	8⅜ - 8¼	8⅜ - 8¼	8⅜ - 8¼	8⅜ - 8¼
D-Mark	9⅜ - 9¼	9¼ - 9⅛	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
French Franc	9 - 8¾	9 - 8¾	9 - 8¾	9¼ - 9⅛	9¼ - 9⅛	9⅜ - 9¼
Italian Lira	12 - 10	11 - 10¼	11¼ - 10¾	11¼ - 10¾	11⅜ - 11	11⅜ - 11⅛
Belgian Franc	9½ - 9¼	9½ - 9¼	9½ - 9¼	9⅜ - 9¼	9½ - 9¼	9⅜ - 9¼
Yen	6⅜ - 6¼	6⅜ - 6¼	6⅜ - 6¼	6⅜ - 6¼	5⅞ - 5¾	5¾ - 5⅝
Danish Krone	9¼ - 9	9¼ - 9	9½ - 9¼	9½ - 9¼	9⅝ - 9⅜	9½ - 9⅜
Asian $Sing	4⅛ - 4	4⅛ - 4	4⅛ - 4	4⅝ - 4½	4⅝ - 4½	4¾ - 4⅝

Long term Eurodollars: two years 6⅛-6⅛ per cent; three years 6⅝-6½ per cent; four years 7⅛-7⅛ per cent; five years 7½-7⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.22	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.715	2.905	224.8	9.915	2.538	3.273	2173	1.933	59.85	1.419
$	0.583	1	1.694	131.1	5.781	1.480	1.908	1267	1.127	34.90	0.827
DM	0.344	0.590	1	77.38	3.413	0.874	1.127	748.0	0.665	20.60	0.488
YEN	4.448	7.629	12.92	1000.	44.11	11.29	14.56	9666	8.599	266.2	6.312
F Fr.	1.009	1.730	2.930	226.7	10.	2.560	3.301	2192	1.950	60.36	1.431
S Fr.	0.394	0.676	1.145	88.57	3.907	1	1.290	856.2	0.762	23.58	0.559
N Fl.	0.306	0.524	0.888	68.68	3.029	0.775	1	663.9	0.591	18.29	0.434
Lira	0.460	0.789	1.337	103.5	4.563	1.168	1.506	1000.	0.890	27.54	0.653
C$	0.517	0.887	1.503	116.3	5.129	1.313	1.693	1124	1	30.96	0.734
B Fr.	1.671	2.865	4.854	375.6	16.57	4.241	5.469	3631	3.230	100.	2.371
Ecu	0.705	1.209	2.047	158.4	6.987	1.789	2.307	1531	1.362	42.18	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE) [illegible]

CHICAGO [illegible]

PARIS [illegible]

FT-SE EUROTRACK 100 INDEX

DM50 per full index point

	Close	High	Low	Prev.
Dec	1108.0			1118.0
Mar				

Estimated volume 0 (0)
Previous day's open int. 327 (327)

* Contracts traded on APT after trading hours

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7145	1.7068	1.6938	1.6752	1.6435

BASE LENDING RATES

Adam & Company 10.5; Allied Trust Bank 10.5; AIB Bank 10.5; ● Henry Ansbacher 10.5; B & C Merchant Bank 10.5; Bank of Baroda 10.5; Banco Bilbao Vizcaya 10.5; Bank of Cyprus 10.5; Bank of Ireland 10.5; Bank of India 10.5; Bank of Scotland 10.5; Banque Belge Ltd 10.5; Barclays Bank 10.5; Beneficial Bank 10.5; Brit Bk of Mid East 10.5; ● Brown Shipley 10.5; CL Bank Nederland 10.5; Citibank NA 10.5; City Merchants Bank 10.5; Clydesdale Bank 10.5; Co-operative Bank 10.5; Coutts & Co 10.5; [illegible]

MONEY MARKETS

Firmer US rates

SHORT-term interest rates rose in most of the world's leading market centres yesterday on speculation that there may be no more reductions this year in US rates.

News that the US government is considering tax cuts for middle class families as part of an effort to stimulate the American economy caused a sharp fall in Treasury bonds and dragged short-term money market rates higher around the world.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Money dealers worried that if the US administration seeks to reflate the economy via tax cuts then the Federal Reserve may wish to keep interest rates unchanged as a check against inflationary pressures building up after any cuts.

Furthermore, the Federal Reserve is widely believed to use bond yields as a guide to interest rate policy. Many economists say this week's fall in bond prices (which automatically causes yields to increase) means a rate cut is now less likely.

In its domestic money market operations, the Federal Reserve, as expected, refrained from any action. Federal funds were unchanged at 5⅛ per cent, close to the Federal Reserve's presumed target of 5¼ per cent.

US money market rates were firmer. In London, the December eurodollar contract fell 8 points to 94.41 in more active trading.

In Japan, short-term rates firmed as the Bank of Japan drained liquidity from the system. However, there is growing speculation that interest rates will be cut next month to give the economy a boost.

European rates were also steady to firmer. In Paris, rates firmed as the French franc came under pressure within the ERM following the small cut in rates last week. German rates also showed little movement.

Weakness in sterling and a shortage of liquidity kept London rates underpinned. The Bank of England forecast a liquidity shortage of £1.85bn but was only able to offer £1.777bn of assistance.

The forthcoming parliamentary by-elections is keeping political worries at the forefront of the market's mind and is preventing any easing in rates.

The key three months inter-bank rate was ⅛ point higher at 10½-⅜ per cent and with a shortage of £1.7bn expected today, rates are likely to remain stuck at current levels, with no rate cut expected.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 22)	3 months US dollars		6 months US Dollars	
	bid 5⅜	offer 5½	bid 5½	offer 5⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	8	One month	5.17	Three year	6.28
Broker loan rate	7¾	Two month	5.13	Four year	6.44
Fed funds	5⅛	Three month	5.20	Five year	6.99
Fed funds at intervention	5	Six month	5.35	Seven year	7.37
		One year	5.45	10-year	7.68
		Two year	6.00	30-year	8.10

Oct.22	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	9.00-9.15	9.05-9.20	9.20-9.35	9.25-9.40	9.25
Paris	[illegible]	[illegible]	9⅛-9⅜	9¼-9⅜	9⅛-9⅜	9.25
Zurich	[illegible]	[illegible]	-	8¼-8⅜	-	-
Amsterdam	[illegible]	9.12-9.22	-	9.25-9.35	-	-
Tokyo	[illegible]	[illegible]	-	6⅝-6⅝	-	-
Milan	[illegible]	[illegible]	-	11⅛-11½	-	-
Brussels	[illegible]	[illegible]	-	9⅛-9⅜	-	-
Dublin	[illegible]	[illegible]	10⅛-10¼	10⅛-10¼	10⅛-10¼	-

LONDON MONEY RATES

Oct 22	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	10⅞	10⅝	10½	10⅜	10⅜
Interbank Bid	[illegible]	10½	10½	10⅜	10¼	10⅛
Sterling CDs	-	-	10½	10⅜	10⁵⁄₁₆	10⅛
Local Authority Deps.	[illegible]	10⅝	10⅝	10½	10⅜	10⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	[illegible]	10⅝	-	-	-	-
Company Deposits	-	-	10⅝	10½	10⅜	10¼
Finance House Deposits	-	-	10⅝	10½	10⅜	10¼
Treasury Bills (Buy)	-	-	10⅛	9⅞	9⅝	-
Bank Bills (Buy)	-	-	10⅜	10¼	9⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.32	5.45	5.43	5.65
SDR Linked Dep. Offer	-	-	7¼	7¼	7¼	7¼
SDR Linked Dep. Bid	-	-	7	7	7	7
ECU Linked Dep. Offer	-	-	9¾	9¾	9¾	9¾
ECU Linked Dep. Bid	-	-	9⅝	9½	9½	9½

Treasury Bills (sell); one-month 10⅛ per cent; three months 9¹⁵⁄₁₆ per cent; six months 9⅞ per cent; Bank Bills (sell); one-month 10⅛ per cent; three months 10⅛ per cent; Treasury Bills; Average tender rate of discount 9.8627 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1991. Agreed rates for period Oct.26, 1991 to November 25, 1991, Scheme I: 11.90 p.c. Schemes II & III: 11.64 p.c. Reference rate for period August 31, 1991 to September 30, 1991, Scheme IV&V: 10.301 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,679 Set by CINEPHILE

ACROSS

1 Speed to gain stronghold (8)
5 Big protector for car (6)
9 Strongman at barrier, awfully close (8)
10 Estimate silly female? (6)
12 Putrefy the meat of a lady in Yorkshire (9)
13 Tiny bit left at the Travellers' Rest (5)
14 Abandon a building (4)
16 Soon at hand in small child (7)
19 Sucker for burning in the autumn? (4,3)
21 Type that may be good to arrange (4)
24 Doorkeeper in hotel at Christmas (5)
25 Enter gulf: effect is brilliant (9)
27 Fish swallows doctor in cold zone (6)
28 Suspension of a Turk by an establishment (8)
29 The calculating season? (6)
30 Least clement, like Hemingway if canonised? (8)

7 Greedy beast eats the others, point that achieves renown (8)
8 Determined by the Sun in endless news agency (8)
11 Skip some of the complainants (4)
15 Dignity assumed when jumping fence? (4,5)
17 A French residence with American inspiration (8)
18 A metal in fruit is a harder metal (8)
20 Area that's enclosed with a stick (4)
21 A cart for first month in group (4,3)
22 Can see trouble with medium setting (6)
23 Way to steer off at junction (6)
26 Way to produce plant from shelf (5)

DOWN

1 Had a meal or a bat (6)
2 Heavy fabric is no different without it (5)
3 Iridescent stuff from northern area (5)
4 Very angry to behold the old copper (7)
6 Reorganisation in our arms in place of Polaris (4,5)

Solution to Puzzle No.7,678

WORLD STOCK MARKETS

AUSTRIA — October 22 — Sch. — + or −

[illegible]

BELGIUM/LUXEMBOURG — October 22 — Frs. — + or −

[illegible]

DENMARK — October 22 — Kr. — + or −

[illegible]

FINLAND — October 22 — Mks — + or −

[illegible]

FRANCE — October 22 — Frs. — + or −

[illegible]

FRANCE (continued) — October 22 — Frs. — + or −

[illegible]

GERMANY — October 22 — Dm. — + or −

[illegible]

GERMANY (continued) — October 22 — Dm. — + or −

[illegible]

ITALY — October 22 — Lire — + or −

[illegible]

NETHERLANDS — October 22 — Fl. — + or −

[illegible]

NORWAY — October 22 — Kroner — + or −

[illegible]

SPAIN — October 22 — Pts. — + or −

[illegible]

SWEDEN — October 22 — Kroner — + or −

[illegible]

SWEDEN (continued) — October 22 — Kroner — + or −

[illegible]

SWITZERLAND — October 22 — Frs. — + or −

[illegible]

SOUTH AFRICA — October 22 — Rand — + or −

[illegible]

JAPAN — October 22 — Yen — + or −

[illegible]

AUSTRALIA — October 22 — Aust.$ — + or −

[illegible]

AUSTRALIA (continued) — October 22 — Aust.$ — + or −

[illegible]

HONG KONG — October 22 — H.K.$ — + or −

[illegible]

MALAYSIA — October 22 — MYR — + or −

[illegible]

SINGAPORE — October 22 — S$ — + or −

[illegible]

Price data supplied by Telekurs.

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

3:00 pm prices October 22

Quotations in cents unless marked $

[illegible]

MONTREAL

3:00 pm prices October 22

[illegible]

Total Sales 9,086,300 shares

INDICES

NEW YORK DOW JONES

	Oct 21	Oct 18	Oct 17	Oct 16	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3060.38	3077.15	3053.00	3061.72	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.12	97.55	97.25	97.24	97.55 (18/10)	91.30 (16/1)	97.55 (18/10/91)	54.99 (1/10/81)
Transport	1280.27	1287.56	1286.43	1286.06	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.76	214.76	214.51	214.26	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3085.20 (3089.45) Low 3042.49 (3045.62)

STANDARD AND POOR'S

	Oct 21	Oct 18	Oct 17	Oct 16	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	390.02	392.50	391.92	392.80	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	461.95	464.80	464.17	464.98	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.41	31.83	31.74	31.95	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	214.80	216.15	215.81	216.05	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	381.78	382.49	381.11	381.91	382.49 (18/10)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	536.96	538.90	536.27	540.94	540.94 (16/10)	355.75 (14/1)	540.94 (16/10/91)	54.87 (31/10/72)

	Oct 18	Oct 11	Oct 4	year ago (approx.)
Dow Industrial Div. Yield	3.00	3.10	3.12	4.03

	Oct 16	Oct 9	Oct 2	year ago (approx.)
S & P Industrial div. yield	2.69	3.24	2.74	3.59
S & P Indl. P/E ratio	21.44	20.53	22.14	14.15

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Owens-Corning	4,677,200	20¼	- 4½
West Elec	2,895,500	16¼	- ½
Citicorp	1,983,800	11½	- ⅜
Intl Rect	1,980,100	13¼	- 5
Amer Express	1,925,000	20	- ⅜
RJR Nabisco	1,872,900	10⅛	- ⅛
Pepsico	1,826,300	27⅞	- ⅛
Telefonos	1,780,400	43⅝	- ⅝
Amer T & T	1,642,100	38⅝	- ⅜
Philip Morris	1,582,900	71⅞	- 1⅛

TRADING ACTIVITY

† Volume Millions	Oct 21	Oct 18	Oct 17
New York SE	153.770	204.030	202.780
Amex	13.377	14.670	15.419
NASDAQ	198.140	212.126	226.842
NYSE			
Issues Traded	2,126	2,123	2,130
Rises	616	877	777
Falls	1,015	723	816
Unchanged	495	523	537
New Highs	97	149	153
New Lows	15	9	13

CANADA TORONTO

	Oct 21	Oct 18	Oct 17	Oct 16	1991 HIGH	1991 LOW
Metals & Minerals	3003.25	3031.99	3015.69	3044.31	3299.99 (18/7)	2632.06 (9/1)
Composite	3467.21	3482.34	3466.15	3462.96	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1838.33	1847.25	1841.04	1845.70	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct 22	Oct 21	Oct 18	Oct 17	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1643.7	1633.1	1617.6	1612.5	1643.7 (22/10)	1204.5 (16/1)
All Mining (1/1/80)	662.5	654.4	646.6	647.1	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	419.99	420.48	414.86	412.79	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1100.83	1101.55	1108.77	1107.38	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	365.63	363.34	359.26	357.02	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	839.3	842.9	847.5	853.5	1186.9 (8/4)	839.3 (22/10)
FRANCE						
CAC General (31/12/82)	488.05	493.84	491.70	494.76	497.62 (2/10)	394.88 (15/1)
CAC 40 (31/12/87)	1836.79	1845.57	1864.20	1855.47	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	650.27	646.06	639.82	639.90	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1829.6	1812.0	1802.3	1802.2	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1580.71	1572.68	1563.25	1564.51	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3981.66	3998.74	4015.91	4038.43	4093.41 (3/10)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1435.87	1439.05	1442.82	1447.61	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	525.74	532.32	531.01	531.09	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	24954.66	25016.81	24894.82	24439.85	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1884.27	1887.69	1881.70	1858.58	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2825.64	2830.75	2829.53	2830.06	3423.45 (18/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	522.36	514.99	516.60	517.59	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	280.0	279.3	280.4	281.2	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	196.9	196.4	197.2	197.8	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	737.71	736.02	724.54	711.32	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1014.99	1021.86	1019.42	1018.85	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	388.28	389.05	377.76	378.11	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1210.0a	1216.0	1178.0	1174.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4139.0a	4107.0	4078.0	4061.0	4237.0 (10/9)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	709.89	716.67	696.53	695.76	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	268.59	266.43	265.06	264.82	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	991.3	988.8	978.2	970.0	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	760.1	760.9	763.8	756.3	769.2 (29/8)	590.4 (14/1)
SBC General (1/4/87)	617.2	619.9	619.9	615.7	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4088.65	4296.5	4334.30	4304.04	6365.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	622.07	638.80	619.34	614.08	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	520.1*	522.3	524.9	520.9	529.2 (17/4)	439.1 (16/1)

**Saturday October 19: Taiwan Weighted Price: 4391.47. Korea Comp Ex. 698.24.
a Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday, 22 October, 1991

	Stocks Traded	Closing Prices	Change on day
Meiji Milk Prods.	33.9	1,280	+120
Nippon Zeon	14.1	745	+79
Japan Storage	10.0	1,120	+30
Toyo Tire Rubbr.	8.4	1,010	+39
Kanebo	8.1	625	+51
Sato Kogyo	7.8	1,490	+40
Nishimatsu Cnst.	6.4	1,340	+30
C Itoh	6.1	752	+2
Chugoku Marine.	5.9	1,180	-10
Toyo Const	5.9	836	+16

3:00 pm prices October 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16 7/8	9 1/4	AAR Corp x	0.48	0.03	19	242	14 1/8	14	14	-1/8
19	14 1/2	A L Labs A	0.16	0.01	21	857	u19 1/8	19	19 1/8	+1/8
55 1/4	40 7/8	AMP Inc	1.44	0.03	18	1812	50 5/8	50 1/4	50 1/2	+1/4
68 5/8	44 1/4	AMR			12	2848	64 1/4	63 1/8	64 1/8	+1/4
2 3/8	1	ARX			1	72	1 5/8	1 1/2	1 5/8	+1/8
56	41 1/2	ASA	3.50	0.07	14	214	50 1/2	49 1/2	50 1/2	+1/2
56 1/2	38 1/4	Abbott Lab x	1.00	0.02	23	5148	u57 1/8	55 1/2	56 5/8	+1 1/4
14 5/8	9 7/8	AbitRbl Pr x	0.50	0.04	24	148	13 1/2	13 1/4	13 3/8	+1/8
11 3/8	10 3/8	ACM Gvt In	1.28	0.12		1863	10 7/8	10 5/8	10 7/8	-1/4
9 1/4	8 1/4	ACM GvOpp	1.01	0.11		239	9 5/8	9 1/2	9 1/2	
9 1/2	8 1/4	ACM Gvt Sp	1.01	0.11		327	9 1/4	9	9	-1/8
11	9 7/8	ACM Gvt Se	1.28	0.12		1315	10 3/4	10 1/2	10 5/8	+1/8
9	7 5/8	ACM Man	1.01	0.12		484	8 3/4	8 5/8	8 3/4	-1/8
12 7/8	11 1/2	ACM Managd	1.35	0.11		204	12 3/4	12 5/8	12 5/8	
7 1/2	4 3/4	Acme Cleve x	0.40	0.06	17	4	6 5/8	6 1/2	6 1/2	
8	3 3/8	Acme Elect			2	2	4 1/2	4 1/4	4 1/2	+1/8
40	22 3/4	Acuson			23	467	35 1/8	34	34 3/4	+1/4
19 1/4	14 1/4	Adams Expr	0.73	0.04	0	85	u19 3/4	19 1/8	19 1/8	
20 1/8	17 1/2	Adobe12Pf x	2.40	0.13		10	19 1/8	19 1/8	19	
9 1/4	6 5/8	Adobe Res			45	83	7 3/8	7 1/8	7 1/4	
38 1/8	15	Ad Micro				50	33 3/4	33 3/4	33 3/4	
14 1/4	4 3/8	Ad Micro P	3.00	0.29	6337	15	11	10 3/4	10 7/8	+1/8
6 1/8	2 1/4	Advest Grp	0.16	0.04	6	12	4 3/8	4 1/8	4 1/8	-1/8
48 1/8	31 7/8	Aetna Lf x	2.76	0.06	7	2686	37 1/4	36 5/8	36 3/4	
[illegible]										

– Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27⅝	20⅛	Utilicorp	1.52	0.06	12	193	u27⅝	26⅞	26⅞	-⅛
		- V -								
36⅝	17⅝	VF Corp x	1.00	0.03	22	202	35⅞	35⅝	36⅛	-⅛
		VMS Mtge F			0	61				
30⅛	20⅝	Valero Pf	3.44	0.12		17	29⅝	29⅝	29⅝	+⅛
28⅛	14⅛	Valero En	0.34	0.01		173	u28⅛	28⅛	28⅛	
16⅞	10½	ValeroNGas	2.30	0.20	4	124	12⅞	12⅛	12⅞	+⅛
9⅛	4⅞	Valhi Inc	0.20	0.03	17	35	7	6⅞	7	
		Valley Ind			0	98				
15⅞	9⅛	Van Dorn x	0.00	0.00		90	11	10⅛	10⅛	-⅛
9½	3⅞	VanKamp H x	0.84	0.13		92	u6½	6⅞	6⅞	
7⅛	4⅛	VanKampInv x	0.96	0.13		28	7½	7½	7½	
11	9½	VanKampMuli x	0.78	0.07		153	10½	10⅜	10⅜	+⅛
12½	6½	Varco Intl			15	104	6⅞	6⅝	6⅞	
30⅛	29⅛	Varian Ass x	0.32	0.01	11	637	36	35⅞	36	+⅛
21	14⅛	Varity 1.5	1.30	0.07		65	17½	17⅛	17⅛	+⅛
26⅞	17⅛	Varity Co			329	300	21	20⅝	20⅝	-⅛
14⅝	13⅛	Vestaur	1.20	0.08	0	30	14½	14⅜	14⅜	-⅛
65	55	VirE&P5.00	5.00	0.08		z100	63½	63½	63½	
22⅛	11⅛	Vishay Ind			11	171	19	18⅛	18⅞	-⅛
10⅞	6⅛	Vista Res			19	2	9⅞	9⅞	9⅞	
27⅛	15½	Vivra Inc			23	120	u27⅞	27	27⅞	+1⅛
69	61½	Vodafone				449	66	64⅛	65⅞	+1⅛
3⅛	1⅛	Volunteer			13	10	2⅝	2⅛	2⅞	+⅛
34	19⅛	Von Cos			16	631	25	24⅛	24⅛	-⅞
30⅛	20½	Vornado	1.60	0.06	65	9	26⅛	25⅛	25⅛	-⅛
40	30⅞	Vulcan Mat x	1.20	0.03	17	217	36⅛	36⅞	36⅛	-⅛

Price data supplied by Telekurs.

AMEX COMPOSITE PRICES

3:00 pm prices October 22

NASDAQ NATIONAL MARKET

3:00 pm prices October 22

FINANCIAL TIMES Wednesday October 23 1991

AMERICA

Dow settles despite huge losses in motor industry

Wall Street

AFTER SEVERAL days of big fluctuations, the stock market settled down yesterday morning, with share prices holding their ground in the face of another rise in long-term bond yields and huge losses in the motor industry, *writes Patrick Harverson in New York.*

By 1.30pm the Dow Jones Industrial Average was down 2.91 at 3,057.47, not having strayed more than a few points from its opening mark. The more broadly based Standard & Poor's 500 was also little changed at midsession, adding 0.31 to 390.33 at 1pm, while the Nasdaq composite of over-the-counter stocks added 1.74 to 538.70.

Volume on the NYSE was 110m shares at 1pm, and declines outpaced rises by 722 to 712. Trading was halted for a short while by a power failure.

The consolidation of the recent sharp gains, made on the back of better-than-expected corporate earnings and hopes for lower interest rates, continued yesterday, and most investors remain reluctant to trade heavily until they see where the market's next big move is heading.

Big third quarter losses at two of the big three car manufacturers did not inflict much damage, primarily because the market had been forewarned about the poor state of the domestic motor industry.

Ford slipped only $⅛ to $28⅝ after reporting a loss of $574m, while General Motors firmed $⅛ to $37⅞ after announcing a $1.1bn loss between July and September. Chrysler, which will reveal its figures within the next few days, rose $⅛ to $11⅛.

Morgan Stanley jumped $2⅛ to $57 after the securities house reported a big jump in third quarter profits. Salomon Brothers rose $⅛ to $24⅞ on reports that it had secured a $2bn credit line from Citicorp and J.P. Morgan. Salomon is expected to announce third quarter earnings, which will include a big charge to cover costs linked to the Treasury bond market-rigging scandal, next week.

Wal-Mart, the country's biggest retailer, fell $⅞ to $48⅞ in active trading as investors responded negatively to the news that the group is laying off up to 1,200 workers.

Sallie Mae jumped $3⅞ to $62⅞ after the Department of Education recommended that President George Bush should veto any bill in Congress that threatened to replace the guaranteed student loan programme run by Sallie Mae with direct federal loans.

Quaker Oats climbed $3⅞ to $60 on news of rise in first quarter profits. Johnson & Johnson rose $3⅞ to $92⅞ on a 16 per cent increase in third quarter income.

Pride Companies plunged $4½ to $22⅞ on a Shearson Lehman downgrade.

Canada

TORONTO continued to digest last week's gains, and trading was thin as the composite index rose 7.2 to 3,474.4 by midsession. Advances led declines by 227 to 190 in volume of 13m shares worth C$139m.

Gold shares edged up as analysts reconsidered their reserve estimates for the Soviet Union. *Placer Dome rose C$⅛ to C$14¼, and American Barrick by C$⅛ to C$26¾.*

Deprenyl Research registered a 52-week high of C$22 before profit-taking sent it tumbling to stand at C$20⅞, down C$1⅛. The drug company reported third quarter earnings up from 5 to 9 cents a share.

Earnings revision deepens Indonesian gloom

The quality of corporate information is being questioned, writes Claire Bolderson

A YEAR and a half ago the Jakarta Stock Exchange (JSE) was south-east Asia's newest sensation. In the wake of sweeping financial reforms implemented at the end of 1988 and with confidence in the economy running high, companies rushed to list and investors flocked to buy. Today, however, the only thing sensational about the Indonesian market is the pace of its decline.

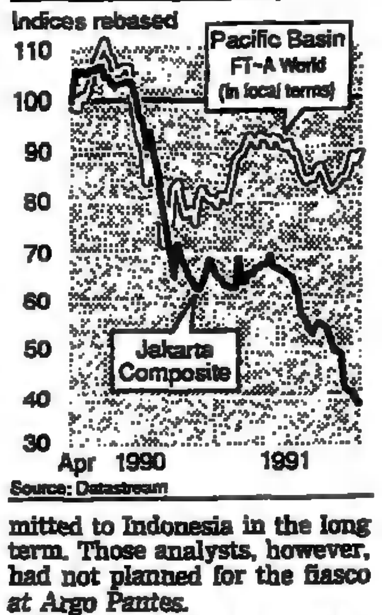
From a record high of 681.94 in April 1990, the composite index has dropped by more than 66 per cent. Yesterday it closed at 230.83, down 4.18, in volume of 2.25m shares. This is more than a much-needed consolidation; the market has undergone what one foreign broker in Jakarta calls "a brutal rerating".

Last week the exchange announced new rules on securities companies, *in an attempt* to improve investor protection and encourage people back to the market.

The JSE's downward turn began during the Gulf crisis in August last year. Unlike other markets around the world, Jakarta did not pick up again. Increasing concern about the health of the Indonesian economy was reflected in declining investor interest. A widening current account deficit and indications that Indonesia was headed for a slowdown, after three years of high economic growth, made foreigners wary. And the increasingly obvious inefficiencies of trading conditions at the JSE did little to boost their confidence.

At the same time, the government's tight money policy, introduced in mid-1990 in an attempt to curb rising inflation, started to bite. Interest rates rose to 26 per cent by the end of last year and, although there has since been some relaxation, they still hover around 22 per cent and are expected to remain high well into next year. Potential domestic investors are holding on to their money.

By July of this year, analysts were predicting gloomily that the index would continue its *slide towards the 300 mark but* would probably stabilise there, with the market offering good bargains to any investor committed to Indonesia in the long term. Those analysts, however, had not planned for the fiasco at Argo Pantes.



Source: Datastream

On August 28, Argo, Indonesia's largest integrated textile company, announced *disastrous first-half profits* and revised its projected full-year earnings downwards by 69 per cent to Rp27bn ($13.6m). Argo's *stock took an immediate nose-dive.* Its shares dropped from Rp7,500 on August 28 to Rp3,250 the following day – and by September 3 the index had slid below the symbolic 300 mark. Yesterday, Argo's shares fell Rp150 to Rp2,250.

The reasons for Argo's poorer than expected results are not entirely clear, but until the company announced them at the end of August, there had been no indication of any problems. As a result, investors began to ask questions about the quality of information being issued by leading Indonesian companies.

As Hoare Govett, the broker, said of the Argo incident in a recent study of the Indonesian market: "The combination of *misleading information* from the company's management and widespread enthusiasm for the counter among analysts *proved explosive.* This rocked the very foundation of confidence in the market."

What followed was a massive sell-off, in which blue chips were among the hardest hit. Well over a month later, the pressure is still downwards and brokers say it will remain so for some time.

There are still a number of companies that are expected to undergo a correction, particularly in the insurance sector and non-banking financial institutions. Shares in some of the more illiquid companies, which formed the core of the market before the 1988 deregulation, are also likely to experience a drop in value, and nobody in Jakarta would be surprised to see the index fall to around the 200 level in the near future.

Just over a year ago, the JSE, with a price/earnings ratio of 33 times, was considered to be highly overvalued. A prospective p/e of 10.9 times for 1991, however, compares favourably with other Pacific Rim countries, and brokers are expecting more interest from abroad as world economies recover.

But as one analyst points out: "This is not a market for the faint hearted." Until Indonesian interest rates come down, the strains on the economy start to ease and investors can be sure that Argo Pantes was the exception and not the rule, it will be hard for the Jakarta market to emerge from its continuing malaise.

ASIA PACIFIC

Profit-taking halts Nikkei's week-long rally

Tokyo

SHARE PRICES lost ground yesterday on profit-taking, prompted by the overnight fall on Wall Street and a rise in bond yields. The Nikkei average declined for the first time in six trading days, *writes Emiko Terazono in Tokyo.*

The Nikkei fell below the 25,000 level as investors became wary about the recent fast rise, closing 62.15 off at 24,954.66 after a day's high of 24,994.00 and a low of 24,755.10. Volume expanded to *500m* shares from 400m as Nomura and Daiwa resumed their corporate business after a one-week suspension. Yamaichi will remain suspended for another week and Nikko is banned from corporate business for a further two weeks.

Declines led advances by 520 to 442, with 183 issues unchanged. The Topix index of all first section stocks lost 3.42 to 1,854.27, and in London the ISE/Nikkei 50 index eased 0.67 to 1,422.46.

In Tokyo, the Nikkei index fell sharply as soon as the market opened on arbitrage-linked selling, triggered by a decline in futures prices. The futures market was moving in tandem with the bond market, which fell on a draining of liquidity by the Bank of Japan in the short-term money markets.

The index partially recovered on remarks by Bank of Japan governor Mr Yasushi Mieno indicating that the bank was satisfied with the fall in money market rates.

Interest rate-sensitive large-capital issues fell on higher interest rates. Nippon Steel lost Y9 to Y409 and Mitsubishi Heavy Industries Y6 to Y739.

In contrast, Meiji Milk Products, the most active issue of the day, rose Y120 to Y1,360 as investors returned to biotechnology issues. Elsewhere, Kanebo, the cosmetics maker, climbed Y51 to Y625 and Nippon Zeon, *the synthetic rubber* maker, jumped Y79 to Y745.

Construction issues advanced on reports that a government official had said the government might support the slowing economy by increasing public works spending funded by construction bonds. Sato Kogyo rose Y40 to Y1,490 and Nishimatsu Construction Y30 to Y1,340.

Electricals were lower on poor earnings prospects. Fujitsu shed Y9 to Y940 on reports that it would post a 30 per cent fall in pre-tax profits for the current year, after sluggish *semiconductor* sales. Toshiba declined Y16 to Y667 and Hitachi Y6 to Y992.

In Osaka, the OSE average *moved up 27.36 to 27,147.09 in* volume of 29m shares.

Sumitomo Forestry gained Y10 to Y1,800 on prospects of a *discount rate cut.* While new housing starts are falling, sales of the company's wooden cottages are continuing to rise. The company expects pre-tax profits for the current year to increase by 8 per cent to a record Y18bn.

Roundup

THE REGION presented a study in contrasts yesterday.

SINGAPORE, lagging behind Japan over the past four weeks, began to catch up. The Straits Times Industrial index moved ahead 26.95, or 1.9 per cent, to 1,414.79, as volume more than doubled from 32m to 87m shares.

Dealers said the market had *been creeping up last week,* but that a run of foreign orders had prompted other investors to follow suit.

KUALA LUMPUR moved up with Singapore but the composite index gained a smaller 1.4 per cent, or 7.37, to 522.36 owing to reservations about Malaysia's current account and inflation problems. However, volume jumped from 17m to 37m *shares.*

Gold shares featured in AUSTRALIA, the sector index gaining 3.9 per cent as the bullion price rose again. Placer Pacific put on 10 cents to A$2.71 and Renison 12 cents to A$5.12.

The All Ordinaries index rose 10.7 to 1,643.7, its highest level since February 19, 1990, as turnover grew from A$227m to A$316m. News Corp added another 55 cents at A$13.20 as news of preference issues by two of its units allowed fears of a rights issue to abate.

NEW ZEALAND's NZSE-40 index rose 2.36 to 1,499.96. *Fletcher Challenge* gained another 5 cents to NZ$3.36 on the heaviest individual market volume of 1.8m shares. The rise *came in spite of the prospect of* a placing by a government-appointed stockbroker, after the company exercises a put *option to sell 104m of its own* shares to the government.

TAIWAN offered a stark contrast to the region's rising markets, the weighted index dropping 207.91, or 4.8 per cent, to 4,088.65, its lowest level since early February.

Late on Monday the Democratic Progressive Party, the island's largest opposition party, stated that it planned to expand its activities against the ruling Kuomintang. The prospect of political strife unnerved investors.

Elsewhere, HONG KONG continued to fall in light trading, the Hang Seng index declining 17.08 to 3,981.56 as fear of anti-inflationary measures hit property shares. *SEOUL's composite index fell 6.78 to 709.89 on profit-taking.*

MANILA's composite index lost 6.87 to 1,014.99, dragged *lower mainly by Philippine* Long Distance Telephone, which closed 7.50 pesos down at 640 following a loss in American *trading overnight.*

BOMBAY recouped 1.4 per cent on institutional buying. The BSE index appreciated 23.71 to 1,764.24.

SOUTH AFRICA

TRADING IN Johannesburg turned cautious after the market's recent gains. The all-gold index slipped 6 to 1,310, although the industrial index added 32 to 4,139 and the all-share index closed 5 higher at 3,446, after falling to 3,438.

EUROPE

Frankfurt recoups part of recent drop in thin volume

THE BELIEF that some shares had been oversold recently lifted Frankfurt yesterday, *writes Our Markets Staff.*

FRANKFURT equities ignored a Bundesbank average bond yield up by 6 basis points to 8.57 per cent. The interest rate-sensitive banks and Allianz, in insurers, made a positive *contribution as the DAX* index closed 8.03 higher at 1,580.71, after a 4.21 rise to 650.27 in the FAZ index at midsession.

Volume rose to DM4.2bn fromMonday's DM3.5bn. Ms Barbara Altmann of B Metzler in Frankfurt said that Allianz, another DM31 higher at DM2,048, had been oversold in recent weeks. The same, she said, applied to Daimler, which rose DM5.40 to DM668.50 after last week's weakness on Commerzbank's downgrading of *earnings projections for the* automotive sector.

Elsewhere, the takeover speculators were out again in Continental, the tyre company, which put on another DM3.50 to DM204; MAN fell DM4.40 to DM366.10 on a DM25m loss at its GHH subsidiary; Siemens Nixdorf rose DM41 to DM223 on Siemens's DM225-a-share bid for the minority holding; and VDO preferred dropped DM10.50 to DM205.50 on Monday's news that Mannesmann was taking control through a *partial takeover limited to* VDO voting shares.

OSLO was pulled off its day's highs by further evidence of the Norwegian banking crisis. The all-share index closed 0.43 up at 481.71 in active turnover of NKr379m.

Den norske Bank said that it would need an injection of capital, and announced higher-than-expected loan-loss provisions for the first nine months. DnB's shares lost NKr5 or 14.3 per cent to NKr30.

The market had been *boosted in earlier trading* by the free trade agreement involving the European Community (EC) and the European Free Trade Association (Efta), although Mr Gordon MacLean of Robert Fleming cautioned that its effect on Norway's fishing industry *could produce difficulties* for the government.

STOCKHOLM's early gains were eroded by renewed fears *of a devaluation of the Finnish* currency, which would make exports of Swedish forestry products look expensive, and *by the finance minister's* comments that the budget deficit could be larger than expected.

The bourse had risen in early trading on *optimism* about Swedish exports, following the EC-Efta trade deal. The Affärsvärlden General index closed 2.5 higher at 991.3 in modest turnover of SKr363m, up from SKr292m.

The B shares in Inter Innovation, the family-controlled currency product company, jumped SKr67 or 43 per cent to SKr223 on a SKr233-a-share bid by the UK's De La Rue.

HELSINKI's Hex index dropped 3.6 to another year's low of 839.3, as investors awaited *firm news on the* labour agreement.

In contrast, COPENHAGEN was led higher by Carlsberg, the brewer. Its ordinary shares gained DKr100 or 5 per cent to DKr2,100 and its preference shares rose DKr110 to DKr1,990, *after the announcement* of a joint venture with Allied-Lyons of the UK. The bourse index rose 2.29 to 365.63.

MILAN saw an hour-long stoppage by floor traders, in support of today's half-day general strike in Italy, but Sanpaulo Bank in London discounted both this, and rumours of stockbrokers being forced to sell stock, as reasons for the Comit index's fall of 6.58 to 524.74.

The bank said that the market was falling on lack of interest – *turnover was estimated* at a thin L85bn – and needed an initiative from government, perhaps on the privatisation *front, to improve the situation.*

ZURICH heard that Moody's might downgrade Crédit Suisse paper. The bearer shares of CS Holding, parent of Crédit Suisse, fell SFr90 to SFr1,650 before recovering a fraction to close at SFr1,960, down SFr80.

Crédit Suisse said it was astonished, and later released a statement saying that profits in the first nine months were higher than in 1989 or 1990. The Crédit Suisse index fell 3.4 to 506.9, but the banks index lost 8.6 to 343.5.

MADRID was dominated by trading in Telefónica, which rose Pta35 or 2.8 per cent to Pta1,275 in volume of 5.27m shares. The general index added 2.16 to 268.59, as turnover picked up to about Pta16bn from Pta10.4bn.

Sarrió, the papermaker, gained Pta55 or 7.4 per cent to Pta795 on rumours of a convertible bond issue.

AMSTERDAM rose on demand for selected stocks. The CBS Tendency index added 0.4 to 89.9, as Unilever rose Fl 1.50 to Fl 165, mostly on UK buying, and Akzo gained 50 cents to Fl 122.20.

Philips, which kicks off the *forthcoming round of interim* results next week, slipped 30 cents to Fl 32.50.

PARIS edged lower in quiet trading before the end of the monthly trading account, brought forward to today. The CAC 40 index slipped 9.18 to 1,836.79 in modest turnover after Monday's FFr1.9bn.

FT-SE Eurotrack 100 - Oct 22

Hourly changes

Open	11 am	Noon	1 pm	2 pm	3 pm	4 pm	Close
1096.33	1096.92	1098.12	1098.65	1098.35	1098.47	1097.21	1097.32

Day's High 1098.76	Day's Low 1096.33

Oct 21	Oct 18	Oct 17	Oct 16	Oct 15
1097.69	1089.01	1095.78	1095.87	1095.49

Base value 1000 (26/10/90)

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 21 1991								FRIDAY OCTOBER 18 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	157.52	+0.7	135.86	130.14	138.44	131.48	+0.8	4.63	156.42	134.44	128.29	137.32	130.47	157.52	112.74	128.63
Austria (20)	166.35	+1.4	143.47	137.44	146.21	145.81	+1.1	1.96	163.98	140.95	134.51	143.96	144.29	222.37	154.82	207.08
Belgium (47)	129.52	+0.5	111.71	107.00	113.83	111.15	+0.3	5.33	128.92	110.80	105.73	113.17	110.80	151.20	118.04	136.45
Canada (114)	139.75	−0.3	120.53	115.45	122.81	114.04	−0.5	3.30	140.23	120.53	115.01	123.09	114.58	142.27	126.49	123.56
Denmark (37)	252.23	+0.8	217.54	208.38	221.68	224.01	+0.8	1.57	250.25	215.08	205.25	219.68	222.26	270.56	217.74	259.75
Finland (15)	84.98	−0.5	73.30	70.22	74.70	73.16	−1.9	3.33	85.45	73.44	70.09	75.01	74.58	125.15	83.69	100.25
France (109)	139.57	−1.0	120.37	115.30	122.65	126.27	−0.9	3.51	141.01	121.20	115.65	123.78	127.35	152.26	119.11	139.74
Germany (65)	105.61	+0.5	91.09	87.26	92.82	92.82	+0.6	2.44	105.09	90.33	86.21	92.25	92.25	125.35	94.15	116.30
Hong Kong (55)	164.78	−0.4	142.12	136.13	144.83	163.99	−0.5	4.45	165.52	142.26	135.75	145.30	164.74	169.98	119.62	122.65
Ireland (18)	159.00	+0.3	137.14	131.37	139.75	141.62	+0.2	3.53	158.56	136.28	130.05	139.19	141.36	182.46	132.88	182.61
Italy (77)	70.70	+0.3	60.97	58.41	62.13	66.76	+0.5	3.47	70.47	60.56	57.79	61.86	66.42	88.23	64.75	86.69
Japan (474)	143.00	−0.5	123.33	118.14	125.70	118.14	+0.2	0.72	143.72	123.52	117.87	126.18	117.87	146.97	118.23	142.16
Malaysia (68)	194.84	−0.2	168.04	160.96	171.24	206.09	−0.2	2.96	195.29	167.85	160.17	171.43	208.57	247.78	189.18	197.32
Mexico (18)	1336.04	+1.8	1152.30	1103.80	1174.23	4472.84	+1.8	1.18	1312.60	1128.14	1076.55	1152.26	4394.35	1336.04	534.45	530.13
Netherland (31)	140.30	−0.5	121.01	115.91	123.31	121.96	−0.4	4.42	140.98	121.15	115.61	123.74	122.40	145.73	125.70	134.72
New Zealand (14)	48.00	+2.4	41.39	39.65	42.18	45.01	+2.4	6.46	46.86	40.28	38.44	41.14	43.93	54.64	41.18	54.47
Norway (31)	193.48	+1.8	166.87	159.86	170.06	173.26	+1.3	1.62	190.05	163.35	155.88	166.84	171.03	223.24	178.56	240.63
Singapore (38)	193.59	+1.1	166.96	159.94	170.14	151.08	+1.2	2.29	191.43	164.53	157.01	168.05	149.35	208.25	151.63	163.00
South Africa (61)	254.11	+2.7	219.16	209.93	223.32	172.49	+1.2	2.81	247.47	212.69	202.96	217.24	170.37	258.85	173.00	158.66
Spain (53)	152.56	+0.5	131.57	126.04	134.08	123.26	+0.6	4.44	151.80	130.46	124.50	133.25	122.53	171.12	131.51	148.73
Sweden (25)	183.88	+1.9	158.59	151.92	161.62	166.94	+1.3	2.67	180.51	155.14	148.05	158.46	164.81	204.12	146.60	177.97
Switzerland (59)	95.08	−0.4	81.96	78.52	83.54	87.23	−0.1	2.21	95.42	82.01	78.27	83.78	87.29	100.67	82.17	94.10
United Kingdom (240)	177.40	−1.2	153.00	146.55	155.90	153.00	−0.9	4.84	179.61	154.37	147.30	157.65	154.37	187.44	156.27	163.80
USA (526)	158.41	−0.6	136.63	130.88	139.23	158.41	−0.6	3.05	159.44	137.03	130.77	139.97	159.44	161.02	125.95	126.78
Europe (827)	139.09	−0.5	119.96	114.92	122.25	121.68	−0.3	3.94	139.85	120.20	114.70	122.78	122.08	151.52	125.50	138.09
Nordic (108)	182.14	+1.3	157.09	150.48	160.08	157.25	+1.0	2.07	179.78	154.51	147.45	157.82	155.72	200.81	155.55	187.69
Pacific Basin (718)	143.32	−0.4	123.61	118.41	125.97	119.34	+0.2	1.05	143.93	123.70	118.05	126.35	119.05	145.92	117.86	140.58
Euro-Pacific (1545)	141.99	−0.5	122.46	117.30	124.79	121.13	+0.0	2.18	142.66	122.61	117.00	125.23	121.11	147.66	121.29	139.94
North America (640)	157.18	−0.6	135.56	129.87	138.17	155.41	−0.6	3.06	158.17	135.94	129.74	138.87	156.40	159.66	125.91	126.50
Europe Ex. UK (587)	116.42	+0.0	100.41	96.20	102.34	103.74	+0.1	3.25	116.43	100.07	95.51	102.23	103.64	129.80	103.56	121.91
Pacific Ex. Japan (244)	146.40	+0.3	126.26	120.97	128.68	128.95	+0.4	4.28	145.90	125.40	119.68	128.09	128.47	147.60	111.40	121.28
World Ex. US (1736)	143.83	−0.4	124.05	118.84	126.42	122.46	+0.0	2.22	144.39	124.10	118.43	126.76	122.41	148.16	122.32	139.80
World Ex. UK (2022)	144.83	−0.4	124.91	119.66	127.30	131.79	−0.1	2.26	145.40	124.97	119.26	127.65	131.96	145.77	120.06	131.33
World Ex. So. Af. (2201)	146.98	−0.5	126.76	121.44	129.19	133.48	−0.2	2.51	147.74	126.98	121.19	129.71	133.78	148.66	122.92	134.06
World Ex. Japan (1788)	151.57	−0.5	130.73	125.24	133.24	142.23	−0.4	3.42	152.29	130.89	124.91	133.71	142.84	152.85	126.69	131.42
The World Index (2262)	147.68	−0.5	127.37	122.01	129.80	133.81	−0.2	2.52	148.39	127.54	121.71	130.27	134.09	149.01	123.28	134.21

Latest prices were unavailable for this edition.

FINANCIAL TIMES SURVEY

SWEDEN

Wednesday October 23 1991

■ Can the new coalition survive? The options considered Page 2

■ Preparations are under way for the sell-off of state enterprises Page 4

The general election has ushered in a new era for Sweden, which is moving rapidly in the free market direction as it converges with western Europe. **Robert Taylor** discusses the programme for reform set out by the government in preparation for EC membership

In tune with the new times

Stockholm sunrise: the general election last month saw the dawn of a new age in Swedish politics

THESE are heady days in Sweden as the new minority coalition of four non-Socialist parties lays out its programme of free market domestic reform and prepares for its negotiations to take Sweden into the European Community.

The general election last month has ushered in a new era for the country, with the neo-liberal ideological offensive that first gathered momentum in the early 1980s sweeping away the Social Democrats, who had held political power in the country for all but six of the past 59 years.

Certainly Mr Carl Bildt, the 42-year-old Moderate party leader and the prime minister, was in a confident mood in his inaugural address to parliament three weeks ago. The age of collectivism was at an end in Sweden, he pronounced .

The new administration seems to have a greater inner cohesion and common sense of purpose than the troublesome trio of party leaders who tried to stitch together a non-Socialist government in the autumn of 1976 after the unexpected defeat of the Social Democrats in the general election.

Then, non-Socialism in Sweden was a timid, defensive creed. During their six years in office, the non-Socialist parties argued incessantly with each other over nuclear power and economic policy, and found themselves nationalising ailing industries and spending public money more lavishly than the Social Democrats.

This time it is very different. Mr Bildt and his cabinet colleagues do not have to adapt themselves to a political consensus hostile to their ideas. On the contrary, Sweden is already moving rapidly in the free market direction as it converges with western Europe. The new government will find itself moving in tune with the new times and this ought to make Mr Bildt's task much easier.

But it would be wrong to suggest that Sweden faces the prospect of three relatively trouble-free years as it moves in stately fashion into the EC. There is a genuine danger that the prime minister and his colleagues will take too optimistic a view of what is likely to happen between now and September 1994 when Sweden holds both its next general election and – if all goes according to the tight timetable – a national referendum on EC membership.

At present nobody can doubt that public opinion is in favour of membership by a majority of at least three to one. The only real hostility can be found among the Greens and they failed to win seats in the new parliament. Fishermen and farmers seem to have concluded that they would be better off inside the Common Agricultural Policy.

Nor does there appear to be much cultural resistance to the EC. On the contrary, many Swedes believe their national identity will be strengthened rather than destroyed by joining. Moreover, the still powerful labour movement believes that it is in the interest of trade unionists for Sweden to belong. Employers made their minds up three years ago as they began to move their investment into the EC and launched an aggressive mergers and acquisition offensive as well.

But in spite of this impressive looking alliance in favour of EC membership, there are some underlying anxieties over whether the country will still feel quite so positive by the end of the negotiating process with Brussels. Both former prime minister Ingvar Carlsson and his finance minister Allan Larsson remain strong supporters and were pleased that Mr Bildt decided to appoint the respected diplomat, Mr Ulf Dinkenspiel, to head the Swedish negotiating team. He did sterling work for the last government in his efforts to help create the proposed 19-nation European Economic Area between the EC and the European Free Trade Association.

But neither Mr Carlsson nor Mr Larsson are confident that the bipartisan strategy towards the EC will survive intact until September 1994. What worries them is that Mr Bildt and his colleagues are going to identify the cause of membership too closely with their own liberalising domestic policies, many of which the Social Democrats are likely to oppose.

The new prime minister does not disguise his belief that the EC provides a welcome catalyst that will help to shake Sweden out of its complacency and make it much more competitive and individualistic. As Mr Carlsson admitted during last month's general election: "Carl Bildt wants to Europeanise Sweden but we Social Democrats want to Swedify Europe".

If many Swedes come to believe that the EC and Moderate party policies are synonymous, and that the price of membership is swallowing all Mr Bildt's market ideology, then enough of them may well turn against the whole idea. The planned national referendum will enable them to decide. Moreover, the new government's economic policies could well add to the strains on the EC consensus. It is clear that official unemployment levels will rise to perhaps 4 to 4.5 per cent next year. The figure may be modest by EC standards but it is going to arouse widespread unease in Sweden and many could draw the conclusion that part of the cost of membership will be acceptance of a higher level of unemployment than has been tolerated since the inter-war years, coupled with reductions elsewhere in social provision.

This is why Mr Bildt must move with care in his European strategy and maintain as wide a base of political support as possible. It looks as though he will be helped in this by the first signs of Nordic co-ordination on the road to Brussels. Behind the scenes all the countries of the Nordic region have been working closely together in developing a common policy in the EC-Efta talks for the last 2¾ years.

But any Nordic moves seem unlikely to delay Mr Bildt's tight timetable for Sweden's own membership application. He wants to see the preparatory work on this completed during the period of Britain's presidency in the second half of next year. Negotiations would then take place during 1993 when Sweden's friends Denmark and then Germany hold the EC presidency.

This would be followed in the spring of 1994 by the preparation of the necessary constitutional amendments in parliament to pave the way for Swedish entry, to be followed by the referendum in September 1994. If all goes well, then Sweden would take its place in the EC on January 1, 1995.

It is increasingly clear that few if any obstacles will be raised to impede progress on the Swedish side of the negotiating table. The work already done to bring the country into line with the EC in the creation of the 19-nation European Economic Area has gone a long way to providing a smooth transition to full membership.

Moreover, the once unassailable barrier of neutrality has ceased to be a problem, even though Mr Bildt and other Swedish political leaders continue to chant the old refrain of the country's security policy of non-participation in alliance in peace with the aim of remaining neutral in war. They insist it retains its fundamental significance.

He has also made it clear, however, that Swedish foreign policy would not only have a greater European identity in future but also that the new political situation after the end of the Cold War and collapse of Soviet Communism in Europe would "create new opportunities for participation in foreign policy and security co-operation with other European states".

Sweden will be a net contributor to the EC budget, though hopeful of aid to assist its regional policies in the frozen north, and it is ready to finance funds to boost southern Europe; but the size of the membership fee could be higher than Mr Bildt would like. However, these anxieties do not look formidable.

The triumph of non-Socialism at the polls has shown emphatically that the majority of the people are ready for change. It is they who want to end Swedish self-imposed isolation and return to the main stream of European history. This is why Mr Bildt should digest Shakespeare's wise words: "There is a tide in the affairs of men, which, taken at the flood, leads on to fortune."

IN THIS SURVEY

Mats Svegfors: "We are all liberals now"

Anne Wibble, finance minister: caution needed

Editorial production: *Roy Terry*

SWEDEN 2

Can the four-party coalition survive? **Robert Taylor** considers the options

Election was a watershed in politics

THE general election last month was a watershed in Swedish politics with the defeat of the Social Democrats and the arrival of two new right-wing parties in parliament – the staid, God-fearing Christian Democrats and populist free-wheeling New Democracy.

The result confirmed the evidence of the public opinion surveys over the previous two years which indicated an increasing realignment of the voters from commitment to one particular party and a growing fragmentation in their party political choice.

It also suggested that while *the Social Democrats may* remain Sweden's largest party they have lost the domination over the political system they held since 1932. But on the other hand, no coherent single non-socialist alternative has emerged from the confusing ambiguities of the general election result to challenge them.

A closer look at the election statistics indicates a number of important trends which may well reshape Swedish politics during the 1990s:

■ An enormous gulf has opened up between the voting habits of the old and the young. More than 60 per cent of the over 60s voted for the Social Democrats but only 20 per cent of first-time voters did so. The more right-wing parties – the Moderates and New Democracy – polled 45 per cent of the under 20s vote between them;

■ Class voting has eroded still further and there is no indication that voters employed in the public sector are more likely to vote left than non-Socialist. The Social Democrats continued to lose ground in the large cities and in the economically growing areas of the country but in the local elections held on the same day as the national contest the party's control of councils such as Karlskrona, Gavle and Trelleborg also ended, in some cases *after being in power since just* after the First World War;

■ There is widespread discontent among a section of the electorate with the traditional political parties. Not only did nearly 17 per cent vote for the new parties (the Greens are included in that figure) but the number of blank voting papers rose by 30 per cent to a record 88,000. However the turn-out was slightly up on the 1988 general election – to 86.7 per cent from 86 per cent;

■ Voter volatility is greater than ever before. One in every four voters changed his or her voting preference compared with the 1988 general election when one in five did so. As many as 30 per cent made up their minds only in the last week of the campaign.

The picture of Sweden's voters on the loose confirms longer-term trends but it makes it difficult to draw any comforting conclusions. There is no reason to suppose that the 1990s will see any return to the old voter stability Sweden knew in the 1950s and 1960s. We are not going to see any clear-cut change from the era of Social Democracy to the era of non-Socialism.

Swedish general election result, September 15

Party	Votes* 1991	Votes* 1988	% change	Seats 1991	Seats 1988	Change
Moderates	21.9	18.3	+3.6	80	66	+14
Centre	8.5	11.3	−2.7	31	42	−11
Liberals	9.1	12.2	−3.1	33	44	−11
Christian Democrats	7.1	2.9	+4.2	27	–	+27
New Democracy	6.7	–	–	24	–	+24
Non-Socialists	53.3	41.8	+4.8	195	152	+43
Coalition parties	46.6	41.8	+4.8	170	152	+18
Social Democrats	37.6	43.2	−5.6	138	156	−18
Left party	4.5	5.8	−1.3	16	21	−5
Socialist Block	42.1	49.0	−7.1	154	177	−28
Greens	3.4	5.5	−2.1	–	20	−20

* Percentage of total votes cast

Source: FT research

Indeed, the verdict of September 15 brought little comfort for any of the established parties, reflecting a further decline in confidence in the politicians. The appeal of New Democracy with its ridicule of the political establishment was considerable and touched a nerve among a sizeable part of the electorate.

The old simplicities of Sweden's political stability have gone. Last month's election result suggested, however, that the process of disintegration has speeded up as a result of the turbulent events of 1989-1990 with the onset of severe economic problems. One lesson is clear enough; Sweden is going to be much more difficult to govern now than in most of the post-war period, because it has returned to the confused multiplicity of parties from which it suffered during the 1920s. With seven parties in parliament Sweden, in fact, has come into line with the Scandinavian pattern with the decline of Social Democracy as the dominant political force.

The crucial question now in Swedish politics is whether Mr Carl Bildt's four-party non-Socialist coalition can survive in office for the full three years of this parliament which ends in September 1994, or will Sweden be condemned to a number of weak and divided administrations during a time when it needs firm direction.

The *élan* and skill of Mr Bildt's early days in power cannot disguise the shaky longer-term position of his government. The fragmentation of the non-Socialist alternative in Sweden will test its credibility to the full.

The problem is that all the non-Socialist parties are rivals for votes while they must work together as partners in government. This is particularly true of the two traditional middling parties – the Liberals and the Centre – which both lost ground in the general election.

Mr Bengt Westerberg, the *Liberal leader*, is a crucial figure in the new coalition as the joint author of its economic strategy – New Start for Sweden – drawn up with Mr Bildt's Moderate party. But many wonder how long he will remain loyal to his non-Socialist ally. In recent years, Mr Westerberg was ready to collaborate with the ruling Social Democrats over tax reform and economic policy-making and he likes to stress he is a social not an economic liberal.

As a big-spending minister at the social department, he will want to prove that the welfare state is safe in his hands. His party colleague – Anne Wibble – is finance minister so Mr Westerberg can be expected to give his full support to her economic policies but he will also be anxious to win back lost support by not courting electoral unpopularity.

The Centre party is even more of an imponderable force for the survival of the Bildt coalition. Its leader Mr Olof Johansson is a man who never seems to stop smiling but who is also somebody the other party leaders do not really trust. Over the three weeks of negotiation before the four-party government, he laid down a number of conditions for his party's participation in the coalition and he seemed well pleased with the outcome.

In many ways the Centre is a soft left party with a strong anti-nuclear, green, welfarist core. It supports Sweden's EC membership application but it opposes building the bridge over the Oresund between Sweden and Denmark. The Centre also dislikes the tone of free market economics and favours subsidies and other support for agriculture and small businesses. The party could act as a brake on any neo-liberal offensive.

Mr Johansson could well turn out to be a fair weather supporter of the coalition. If the going turns stormy and the opinion polls move against the government parties, the Centre may well begin to reconsider whether its longer-term interest is not best served by returning to the delights of opposition and leaving the coalition. As environment minister, Mr Johansson heads a department where he will find it relatively easy to exploit issues which divide his party from the Moderates, Liberals and even from the Christian Democrats who look the least troublesome element in the coalition.

Even if the four partners stay together they still lack an overall parliamentary majority. This gives a possibly pivotal role for populist New Democracy. Formed only nine months ago ND is a protest movement against the stuffy taboos, such as expensive alcohol, of Swedish life. It favours a more robust free-market credo. Its flamboyant leader Count Ian Wachmeister is a genuine and irreverent believer in individual freedom though others in the ND ranks have a more authoritarian outlook.

Emphatically, however, ND is not some Swedish variant of neo-Nazism whatever some political leaders suggest but at the moment it is being treated by the other parties as if it were a leper colony in parliament. Such antagonism could well provoke the party into withdrawing its voting support from the coalition and becoming an obstructive force, even currying favour with the left opposition parties who despise them.

An alliance between ND and the Social Democrats looks a remote possibility. But the political outlook remains unstable and unpredictable and it may well be that Sweden will experience a complex period of cross-voting in parliament that could jeopardise Mr Bildt's capacity to govern in the way he would prefer during the next three years.

Profile: CARL BILDT

A passionate European

CARL BILDT is the first Swedish prime minister this century who is a passionate European. But his conviction that Sweden must play an active and full part in the European Community did not emerge suddenly in the past two years in response to the unification of Germany and the end of Soviet communism.

Carl Bildt: riding high

His belief in the European idea has been shaped by a deep sense of history and personal experience dating from a very early age. In a thoughtful book* he wrote a few months ago, Mr Bildt set out with characteristic clarity why he thinks Sweden must return to the mainstream of European history.

He admires Germany more than any other country in Europe. At the age of 15 he travelled on the S-Bahn train from west Berlin's Zoo station over the infamous wall to Friedrichstrasse in the east in the summer of 1964 and never forgot it. Four years later he went to Prague just before Warsaw Pact tanks crushed Alexander Dubcek's socialism with a human face.

Unlike most of the politically-active young people of his generation, Mr Bildt was never a student revolutionary. He stood on the conservative side of politics from his precocious student days of political awareness and was unmoved by the barricades of Paris in May 1968 and actively opposed Sweden's support for Vietnam during its war with the US.

In July 1974 he was in Athens to see the downfall of the Greek colonels and return of the conservative Constantine Karamanlis from exile to become prime minister. A year later he witnessed the triumph of democracy in Portugal and the abortive communist coup designed to destroy it. In 1980-1981 he spent many days in Poland in the first flowering of Solidarity. These events convinced Mr Bildt that "freedom and democracy are conditions for peace and co-operation".

During the early 1980s he spent time in West Germany and began a close friendship with Chancellor Helmut Kohl.

But Mr Bildt is also well aware that it is difficult for Swedes – whose country kept out of both this century's world wars – to understand the European desire to prevent another catastrophic conflict by creating a community together. He writes in his book of a visit to the American military cemetery at Henri-Chapelle, between Liege and Aachen, where American soldiers killed in 1944 in the Battle of the Bulge are buried: "Swedes ought to take the time to go and see the row after row of the hundreds of white crosses with name after name but here and there inscribed only with the text; known but to God."

Mr Bildt explains it is in the shared tragedy of war that the idea of Europe was reborn. He does not believe, however, that Sweden can or should remain outside the EC. "For me there is no more important political duty than to give us Swedes our place in the greater work to build a freer, more open, more peaceful and better Europe," he argues.

Mr Bildt quotes approvingly eloquent passages from Sir Winston Churchill's 1946 Zurich speech on European unity. But he points out that the Swedes in the post-war years were similar to the British in keeping themselves isolated from the early stages of European integration. Until 1970, this may have been understandable for Sweden, he argues, but he believes his country lost a "great opportunity" and "made its biggest post-war mistake" in 1971 when Prime Minister Olof Palme rejected the idea of Swedish EC membership under pressure from his left and settled for a free trade agreement.

He is scathing about Sweden's posturing as a moral superpower in the world during the 1970s and beyond when the country's diplomats knew more about Central America, black Africa and Vietnam than they did about their own continent. Europe was where Swedes changed aircraft on their way to Maputo and Managua, he writes. Mr Bildt admits the non-Socialist governments between September 1976 and September 1982 were no better and at least Mr Palme, in his last years as prime minister, did appear to be growing more sympathetic towards the EC.

In Mr Bildt's view it was not really until 1987 that political Sweden really began to wake up to the looming challenge of the EC, re-invigorated by the commitment to the creation of a free internal market by the end of 1992. A visit early that year by the then EC trade commissioner Willy de Clercq to Stockholm that began to break the ice, followed in the autumn by the Swedish government's White Paper which expressed enthusiasm for taking steps to integrate Sweden into the single market, but stating there would not "now" be any EC membership application. By using that word, Mr Bildt points out the ruling Social Democrats agreed not to rule out that such a step might be taken in the future.

The pace of change accelerated after that with EC president Jacques Delors's invitation in his January 17 1989 Strasbourg speech for the European Free Trade Association countries to negotiate forthwith a European Economic Area with the EC, a proposal that first appeared in 1984 at the Luxembourg EC-Efta summit. That summer neutral Austria applied for membership and by the summer of 1990 both Mr Bildt's Moderates and the Swedish Liberals had come out in favour of EC entry for Sweden.

In October 1990 the Social Democrats used the mounting economic crisis package to declare it was Sweden's wish to become an EC member and on December 20 parliament voted by an overwhelming majority to support that position. On July 1 this year Prime Minister Ingvar Carlsson delivered Sweden's EC membership application to the EC Dutch presidency in The Hague. That move may have irritated Mr Bildt and spiked some of his big general election guns.

But there can be little doubt that he is better prepared to chart Sweden's new European course than any other political leader in the country.

* Hallänning, Svensk, Europé, Carl Bildt, Bonniers, Stockholm 1991.

Robert Taylor

SWEDEN 3

Plans for a change of direction in the welfare state

More freedom of choice

A CHANGE in direction for Swedish social policy is being promised by the new non-Socialist coalition government. Prime Minister Carl Bildt even suggested in his inaugural address to parliament three weeks ago that it was "a question of a revolution in freedom of choice".

Sweden is not about to see the destruction of its huge welfare state based on universalist principles of collective provision and funding from high levels of taxation. The Liberals and the Centre Party in the government remain strong defenders of the system.

It would also be wrong to suggest there is a widespread lack of public confidence in the Swedish welfare system. On the contrary, in spite of understandable grumbling about the length of hospital waiting lists for routine operations, most Swedes continue to support the existing system of public provision even if statistics suggest their country is no longer far ahead of other western European countries in the generosity and comprehensive character of its public services.

Some statistics indicate the continuing achievement of the Swedish health care system in spite of the strains. Life expectancy lengthened in the 1980s for men from 72.8 to 74.8 years and for women from 78.8 to 80.4 years. A newborn Swedish boy can expect to live to at least 75 with only his contemporary in Japan enjoying a longer average life. The country's infant mortality rate is 6 per 1,000 babies, only bettered by Japan and Finland. As much as 9 per cent of Sweden's gross national product (gnp) is devoted to health care, which amounts to SKr12,900 ($2,086) per person annually.

Nevertheless, there is scope for improvement. Indeed, during the 1980s the ruling Social Democrats made efforts to introduce greater efficiency into the public services, by decentralising many important functions to Sweden's two-tier system of local government based on 23 counties and 284 municipalities, and by encouragement in certain specified areas for contracting out work in the health service.

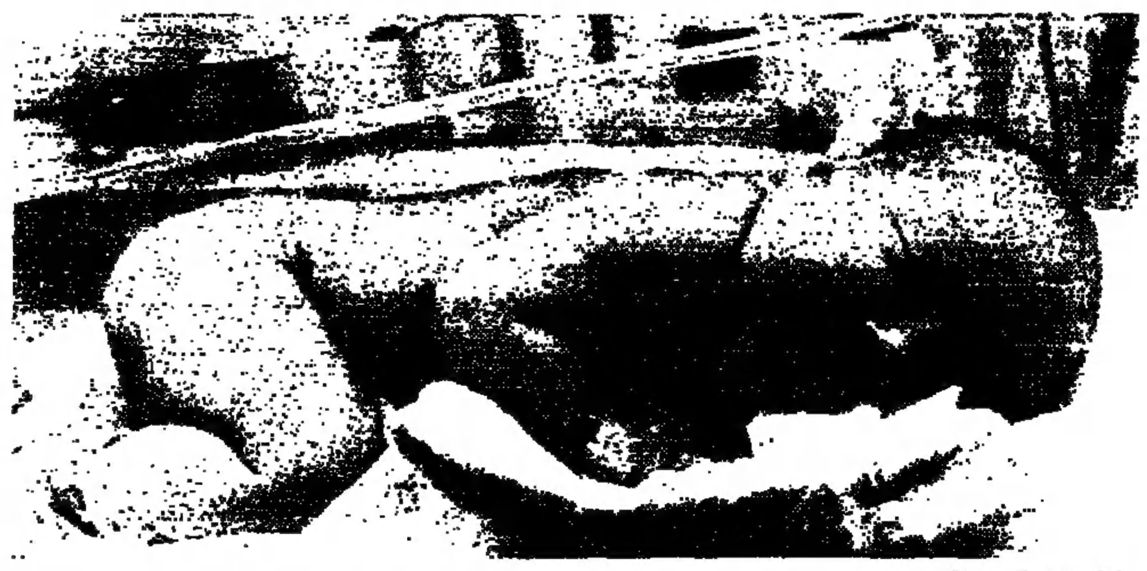
Official attitudes have been influenced strongly during the past decade by the low growth rate and an acceptance that the inexorable expansion of the public services that took place between the late 1960s and early 1980s could no longer continue because resource allocation is more limited.

It is often not realised that the growth of Sweden's public sector is a fairly recent phenomenon. In 1960, only 31 per cent of Sweden's gnp was accounted for by public expenditure; by 1982, the proportion was as high as 67 per cent since when it has fallen to around 60 per cent. Today, one in three workers are employed in the public sector, compared with 20 per cent as the average in the OECD countries.

While the welfare state has never been a sacred cow in Sweden, there were clear limitations on how far more liberally-minded Social Democrats could go in achieving higher productivity and cost effectiveness into the public sector through fiscal stringency. There was, for example, stiff resistance inside the party to the efforts of Finance Minister Kjell-Olof Feldt, who wanted to encourage private initiatives in the child care system because the state was unable to satisfy the demand for places from its own resources.

No doubt Mr Bildt, as leader of the Moderates, would like to carry through fundamental changes in the public welfare system. It has been almost an unquestioning orthodoxy for some time in business circles that the size and cost of the welfare state has crowded out the market economy, fuelled inflation and cramped initiative.

In his inaugural speech to parliament three weeks ago he accepted that the government itself must "bear the ultimate responsibility for providing all citizens with fundamental security" in old age, disability and if unemployed. "These efforts must continue to be predominantly financed from public funds," he argued. "However, there is no reason for the actual production of such services to always be under public management. Distinguishing between public control and financing on the one hand and free production with private, co-operative and public producers on the other will therefore be the fundamental principle for the renewal of the various welfare systems."



Picture: Hugh Routledge

Life assurance: a newborn Swedish boy can expect to live to at least 75

While there may be some continuity of social policy in this respect, private initiative is going to enjoy more encouragement from the new government than the old one.

It is also clear that Sweden can expect a clear change of direction in what is known as family policy. Mr Bildt and other non-Socialist party leaders have been accused by opponents of wanting to put the Swedish woman back in the home as a *husfru* and out of the labour market. Certainly the new prime minister has strong views about the need to strengthen the family at the expense of the state in the care and upbringing of children.

In his view, family policy should make it easier for parents to choose for themselves how they care for their children. The government will lose no time in removing existing tax and legal obstacles to the creation of different forms of child care outside the home that are not a monopoly of the public system. Grants are to be made available for nursery school teachers, for example, to start up their own schools.

But Mr Bildt would like to go further and introduce a form of child care allowance during the next three years so that parents will have an entitlement to financial support to look after their small children at home if they wish to do so.

In the health service he has also made it clear that the new government has some wide-ranging ideas of how to improve its performance. A review is to be carried out of the way the health service is organised and financed and an examination carried out of conditions necessary for the introduction of a mandatory health insurance system. Mr Bildt also wants to encourage what Sweden lacks at the moment – the opportunity for all to have their own freely selected family doctor instead of attending a health centre.

The old age pension system promises to arouse widespread political controversy as efforts are made to try and improve its funding. The non-Socialist parties campaigned vigorously during the general election against the wish of the Social Democrats to allow Sweden's supplementary pension funds (the ATP) to invest in shares on the bourse like a private insurance company. They argued this amounted to a crude form of socialisation which would ensure the public pension funds dominated the stock market while the Social Democrats insisted it was the most sensible way to protect and improve the value of pensions in the future.

There are clearly severe limits on how far Mr Bildt can go in redirecting the social policy. He has no freedom of manoeuvre to roll back the welfare state even if he wanted to do so. All Sweden can expect is some trimming round the edges and not a frontal assault. The mandate for change that Mr Bildt claims he enjoys is not one that covers a transformation of the welfare system.

Robert Taylor

Robert Taylor assesses what liberalisation will mean to Swedes

The path of rationality

IT IS very hard to find anybody who is a committed Socialist in Sweden nowadays. "We are all liberals now," declares Mr Mats Svegfors, the new, young influential editor of Svenska Dagbladet, the country's independent national newspaper and a friend of Carl Bildt.

In his opinion, Sweden has found its way back to the path of "rationality" from which he believes it deviated in the late 1960s when it began to construct an enormous public sector financed from what became the highest levels of taxation in the world.

In the mid-1970s the neo-liberal wave first hit Sweden as a reaction to the leftward shift in policy by the Social Democrats under Olof Palme's leadership and the Landsorganisationen (LO) blue-collar trade union confederation with its demand for collective wage earner funds to take over private industry.

The intellectual foundations of neo-liberalism were built up mainly through the country's main employer's organisations, Swedish Employers Federation (SAF) and the Federation of Swedish industries. Although a necessary partner in the working of the corporatist system, SAF, under the strong direction of Mr Curt Nicolin, the former chief executive of the engineering group Asea, encouraged a fundamental challenge to the prevailing collectivist orthodoxy.

Two of Mr Nicolin's younger colleagues, Mr Sture Eskilsson and Mr Carl Johan Westholm, launched a new publishing house in 1977 under the name of Timbro which published a wide range of books and pamphlets, enthusing about the merits of the free market. The young Carl Bildt took a prominent part in the activities of the burgeoning radical right.

The arrival of Timbro was followed in 1980 by the creation of Naringslivets Economifakta with the task of sending out statistical ammunition to supporters on a wide range of economic issues questioning Sweden's lack of growth, comparative economic decline, high tax rates and the size of its welfare state bureaucracy.

At the start, Sweden's neo-liberals were little more than a small group swimming in hostile waters but, as Mr Svegfors argues, "reality is always the key factor in changing opinions". The increasing difficulties facing the Swedish Model in the late 1970s and early 1980s brought disillusionment among the Social Democratic intelligentsia over the credibility of their old beliefs.

The neo-liberal conversion began to spread rapidly. "We speeded up the intellectual process," says Mr Westholm, the head of Economifakta, who has a doctorate from Uppsala University on the relevance of John Stuart Mill to modern democracy. He believes the example of Ronald Reagan in the US and Margaret Thatcher in the UK during the 1980s had many admirers in Sweden.

Today, it is hard to find any reputable academic economist left in Sweden who is a supporter of Lord Keynes. Most deride centralised wage bargaining, demand management economic policies, and some even cast scorn on Sweden's existing labour market programmes which are still much admired abroad.

Many of the apostates believe the welfare state has crowded out private enterprise, that unemployment is not high enough for the market to work effectively and that the cure to Sweden's sluggish growth are more tax incentives, greater competition, and greater deregulation to stimulate profits and productivity.

Neo-liberalism made rapid inroads into the Moderate party (Sweden's Conservatives) in the late 1970s under its leader Gosta Bohman, who also happens to be Mr Bildt's father-in-law. But it was not an effortless conquest of the *Zeitgeist*.

The party suffered a shock in the 1985 general election when it fought on a bold programme of change that Olof Palme was able to denounce as an attempt to import Thatcherism into Sweden. The Moderates lost electoral ground as a result but in fact neo-liberalism continued its long march through Sweden's élites.

To the anger of the old left it won converts even within the ranks of Social Democracy itself. During his tenure at the Ministry of Finance from September 1982 to February 1990, Mr Kjell-Olof Feldt was an undisguised enthusiast of free market ideas and scornful of dirigiste economics. In spite of rearguard resistance from the economists at the LO trade union organisation he and his young admirers at the department went a long way to push Sweden in a modernising liberal direction.

The removal of rules and directions that regulated the financial system from 1985, ending with the abolition of foreign exchange controls in July 1989, forced Sweden into the more open, international economic system. But it was not until 1990-1991 that liberalism in Sweden really moved on from a tentative bridgehead to sweep all before it.

Mr Svegfors gives the last prime minister, Mr Ingvar Carlsson, much of the credit for directing his government so decisively in a free market direction. "When the history of his government comes to be written, he will be praised for what he did," he admits. "Mr Carlsson was very quiet during his first three years as prime minister but then he suddenly came to life and started to act decisively. What he achieved was extremely important for the modernisation of Sweden."

Indeed, it is no exaggeration to suggest that some of the liberal changes carried through by the Social Democrats cost the party the general election. There was considerable resentment among many of its traditional working class supporters for the 1990-1991 tax reforms – inspired by Reaganomics – that brought cuts in the marginal income tax rate for wealthier people and did next to nothing for them.

But in the government's decision last October to seek European Community membership, to link the krona to the European Currency Unit this May and introduce competition and deregulation into once over-protected areas such as agriculture and the retail trades, Mr Carlsson showed himself willing enough to liberalise Sweden. He also gave his full backing to the highly liberal economic strategy of Allan Larsson, his finance minister, for the last 19 months in office.

But this does not mean Sweden's neo-liberal consensus will go unchallenged. As Mr Svegfors cautions: "Being intellectually convinced about change is quite different from being willing to accept the policies necessary to bring that change about."

Strong vested interests continue to exist in Sweden and they are not going to relinquish their power without a struggle. In the ranks of public sector bureaucracy, in the public service trade unions and, above all, among the people who rely on the public welfare system to protect them from adversity, less enthusiasm for liberalising ideas can be expected if they turn out to mean any dilution in the value and range of existing benefits.

There remains a strong strain of conservatism even within Mr Bildt's own ranks which the neo-liberals may find is a more tenacious obstacle to the fulfilment of their aims than a Social Democratic ideology that has lost confidence in itself.

PRIVATISATION of the state business sector is one of the key elements in the new non-socialist government's push for a more competitive economy. But doubts are growing *whether the speed of the privatisation programme will match* the government's ambitious timetable.

The privatisation programme consists of introducing the state companies and utilities on the Stockholm bourse starting next spring and continuing through the 1990s, with share issues amounting to SKr10bn ($1.6bn) annually. Some of the proceeds would be used to help plug the growing gap in the government's budget deficit, which is expected to reach SKr65bn in the 1991/92 fiscal year.

That will be a large amount for the Stockholm bourse to consume. Even during the surge of the 1980s when the Stockholm bourse was one of the best performing in the world, total share issues averaged around SKr10bn a year.

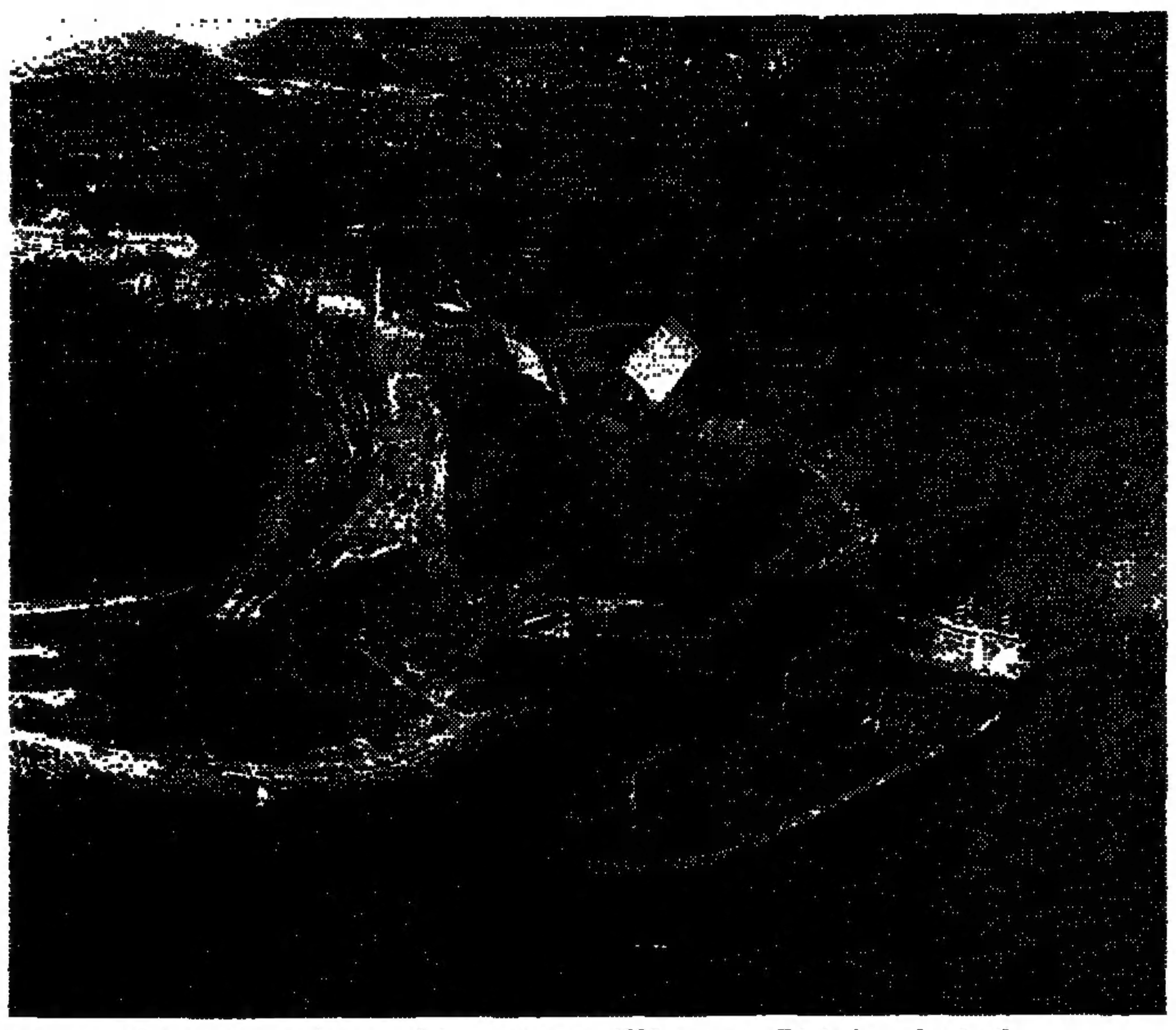
Conditions are now weaker due to the recession, with less liquidity in the market. Some analysts believe that the Stockholm bourse will be able to handle only half of the amount in new share issues planned by the government over the next few years since the Swedish economy is not expected to recover until 1993.

Although the state enterprises have generally been profitable during the past few years, the recession has reduced the market attractiveness of some of them as they report losses this year.

There are questions whether the government would want to start privatisation when market conditions suggest that it would get a better price if it waited. But Mr Per Westerberg, the industry minister, appears determined to press ahead with the start of privati*sation in 1992.*

One reason is the belief that foreign investors are very interested in acquiring shares in the state concerns, which will help boost prices. In a bid to lure foreign buyers, the government is expected soon to abolish the restrictions that limit foreign ownership in Swedish companies to 20 per cent of voting power and 40 per cent of equity, while allowing foreigners to own natural resources, such as forests and mines, that are now in the hands of the state companies.

On the top of the privatisation list are the companies controlled by Fortia, the state investment company. The market value of the Fortia holdings is estimated at SKr25bn and the sale of the companies would dominate the privatisation process during the three-year term of the non-socialist *government.*



Iron ore being loaded at Narvik: mining company LKAB is a candidate for privatisation

Privatisation is a priority of the new government

Preparations under way for the big sell-off

Fortia has shareholdings in the pharmaceutical and food group Procordia, the forestry companies NCB and Assi, the mining concern LKAB, the shipbuilding and defence group Celsius Industries and the steel company SSAB.

The government is expected to disband Fortia, which is only one year old, in December. Ownership of the companies will be transferred to the Ministry of Industry, which will then plan privatisation steps.

The first of the companies expected to be put forward for privatisation is Procordia, which accounts for about half of Fortia's total value. The two biggest shareholders in Procordia, Sweden's tenth largest company, are the state and the vehicle group Volvo, which each have a 43 per cent voting stake, *after Volvo merged its* food and pharmaceutical activities with Procordia in 1989.

Volvo has expressed interest in acquiring majority control of Procordia, although the car maker's recent slump in profits may delay those ambitions. Procordia, however, is expected to attract interest among other investors since the company is enjoying improving profitability, with earnings expected to exceed SKr3.5bn this year.

The recession has reduced the market attractiveness of some of the state enterprises this year

The Procordia sale would likely be followed by that of SSAB, which has been listed *on the bourse since 1986, with* Fortia having a 60 per cent voting stake in the concern. But SSAB has recently suffered a sharp fall in profits, from a peak of SKr1.6bn in 1989 to an estimated *SKr200m this year,* due to weaker demand and price competition in the European steel market.

Lower steel production and falling steel prices are also reducing the profits of LKAB, the iron ore mining company that is 100 per cent owned by Fortia. It reported that earnings fell by 33 per cent to SKr356m during the first eight months of 1991.

The two forestry companies NCB and Assi are expected to report losses this year due to a downturn in the world pulp and paper industry. There are proposals to merge NCB and Assi with some or all of the much larger Domanverket, the state forestry agency, to improve their prospects. But Mr Westerberg has expressed scepticism about the promised synergy benefits of fusing together the state forest interests.

NCB has been listed on the Stockholm bourse since 1988, with Fortia retaining 51 per cent of the equity and 62 per cent of the voting power. Three-fourths of Assi is owned by Fortia, with Domanverket holding the rest.

A more promising privatisation candidate is Celsius Industries, which has posted profits after being extensively restructured during the mid-1980s, with its principal activity in the construction of submarines and other naval vessels. It entered the sectors of aircraft maintainance and technical consulting this year with its takeover of the loss-making defence and engineering group FFV, another Fortia company. Celsius expects that earnings this year will be close to last year's results of SKr474m.

The government also wants to sell its 70 per cent stake in Nordbanken, Sweden's second largest bank. But those plans may be delayed since the bank is expected to suffer pre-tax losses of SKr6.6bn this year due to bad loans, and its recovery is expected to be slow.

Some of the credit losses stem from the collapse of the corporate empire controlled by Mr Erik Penser, the Swedish financier. Nordbanken took over Nobel Industries, the chemicals and defence group created by Mr Penser, and is expected to sell parts of the company.

The Fortia concerns and Nordbanken, however, account for only 15 per cent of the SKr250bn in total corporate assets owned by the state. The two biggest state-owned properties are the telecommunications agency Televerket, with an estimated value of SKr40bn, *and the hydroelectric power* group Vattenfall, which is valued at SKr120bn.

The sell-off of these two behemoths will dominate the privatisation process after 1994. All the country's political parties favour their introduction on the bourse and they appear to agree the state should retain some shareholding, although whether it should be a majority stake remains an open question.

John Burton

Robert Taylor on a book about industrial success

Advantage Sweden

SWEDEN has an extraordinarily large number of successful international *companies for a country of no* more than 8.4m people living on the northern rim of Europe. Fortune business magazine, in its July survey of the top 500 global corporations, included 17 from Sweden, making the country the sixth in the world for the largest number of big enterprises.

It remains among the world's most prosperous nations in spite of its economic recession, not because of its famed welfare state or the dominance of what are usually described as Social Democratic values, but through the competitive *advantage of its indus*trial sector on global markets.

The lasting merit of this incisive and stimulating anatomy of corporate Sweden", lies in its focus on what too many foreign admirers of the Swedish Model overlook – the success of much of its private enterprise. Indeed the open market economy lies at the heart of the country's modern achievement. Without the generation of wealth from its exports, Sweden would have remained what it was in the 19th century – one of the poorest countries in Europe.

The roll-call of Sweden's blue-chip companies – the auto groups Volvo and Saab-Scania, the world's largest white goods manufacturer Electrolux, the telecommunications giant Ericsson, SKF, world maker of ball bearings, the paper and pulp company Stora, Astra, the pharmaceutical company, and the engineering group Asea merged with the Swiss firm Brown Boveri since 1987 – underlines the remarkable strength of an industrial system, which can boast more large global corpo*rations than Spain or Italy.*

The power and influence of Sweden's global giants can be seen in the aggressive acquisition offensive many of them have launched over the past four years inside the European Community, a strategy that more than anything else forced the country over the past 12 months to recognise its future lies with the EC.

This highly detailed, but readable and fascinating account, of how corporate Sweden has become one of the world leaders through the pressures of competition, is the first of a series of national *studies which aim to prove the* validity of Professor Michael Porter's theory of competitive advantage at the nation state level.

The book traces in admirable detail the emergence of *what* Professor Porter calls "determinants of competitive advantage" in Sweden through the evolution of its industrial structure. Sweden's corporate success is focused, *the authors* argue, in six industrial clusters covering materials/metals; transport; forest products; multiple engineering; power generation and telecommunications.

Within those sectors there have been domestic company rivalry, skilled specialised workers, a sophisticated demand and constant upgrading of products from the base of the home market. As a result, companies have grown, flourished and renewed themselves, thus maintaining a competitive edge.

Without the generation of wealth from its exports, Sweden would have remained what it was in the 19th century — one of the poorest countries in Europe

But now, the authors warn, Sweden is losing that advantage because of a "fundamental lack of dynamism". "Our major concern is that Sweden has become static in a large number of industries and sectors and thus a less attractive home base," they argue. The lack of new companies worries them and they believe the "domi*nance of large firms which* tend to buy up smaller firms as soon as they show signs of building competitive positions, has retarded dynamism in leading clusters".

Their anxieties about Sweden's problem of industrial competitiveness are shared today by many of the country's employers but their explanation for it is not wholly convincing. They insist that those who say they are concerned about high inflation, high interest rates and the exchange value of the krona are dealing with the "symptoms" not the "causes" of the country's malaise. But the "cost crisis" cannot so easily be relegated to a minor role for it remains a primary explanation for the outward flow of Swedish industrial investment since 1988.

The trouble is that the book is too mechanistic in its determination to force the historical material into the mould of Mr Porter's theory and as a result it often fails to recognise what *is so different* and special about Sweden's industrial history.

The authors pay insufficient attention to the country's Social Democratic face. *Rightly, they point* out "direct government intervention has not been a decisive factor behind *international* competitiveness in Swedish industry". What they fail to recognise is *the country's ideological super*structure of solidarity in collective bargaining and egalitarianism in social policy provided the necessary preconditions for the achievement of Sweden's competitive advantage.

The authors play down its significance but it is no coincidence that the golden days of the Swedish Model in the 1950s and 1960s, when employers and trade unions worked together in corporatist harmony, were also the period when the country was at its competitive best.

Moreover, although the book mentions the importance of the links between industry and education, it has little to say about the importance for Sweden's competitive advantage of an adaptable, flexible workforce and a dynamic labour market strategy. The absence of worker resistance to technological change in the past with the removal of the fear of being unemployed was crucial for industrial upgrading.

The book is too pessimistic about Sweden's industrial future. In fact, the country is going through a period of rapid change as it adapts to the demands of the outside world. The old distinctiveness is disappearing as Sweden becomes more like the rest of western Europe in its commitment to liberal market values.

Advantage Sweden by Orjan Solvell, Ivo Zander and Michael Porter. Norstedt. 1991. Skr370.

Robert Taylor discusses the gloomy economic outlook

Difficult period of adjustment

THE Swedish economy appears to have reached the bottom of its recession this autumn but just how quickly it will stage a recovery is the subject of heated debate. While some analysts suggest there will be a slow upturn next year and a stronger performance by 1993, *others think* Sweden will suffer a further 12 months of negative growth.

The strength of any modest upward trend, however, *depends on a revival of global* trade and growth, a development economists at the Organisation for Economic Co-operation and Development are forecasting.

But Sweden is passing through a difficult time of readjustment. By the end of next year it will have experienced three years of next to no growth.

Other economic indicators also portray a gloomy picture. Investments are set to drop by 14 to 17 per cent this year, according to forecasts, with a particularly sharp fall in industrial investment. A further more modest decline of around 5 per cent is also expected in investments in 1992.

Registered unemployment is set to rise steeply over the next 12 months. It will average 2.7-2.9 per cent this year and then climb to between 3.5-4.7 *per cent in* 1992. This will still be far below the western European average which also looks set to increase over the coming year, but it is much *higher* than Sweden has experienced since the early 1930s.

However, the dismal condition of the labour market does have its positive side; it looks likely to reduce pressures for wage increases in the economy. Hourly wage rates rose by 10.4 per cent in 1990 but this year the increase is expected to be under 6 per cent with a further more modest drop to 5 per cent in 1992. In difficult conditions the scope for wage drift deals at plant level is limited.

There are signs of an improvement in business productivity, mainly due to rationalisation measures taken by companies in trouble. This year, projections suggest a rise in productivity of about 2.7 per cent with a further increase of about 3.5 per cent in 1992.

Swedish inflation, too, is moving much closer to the western European average. Last year the consumer price index shot up by 10.7 per cent December-December. Except for the UK, this was far out of line with Sweden's main competitors, though much of the rise was due to the one-off impact of changes in the tax system, including an extension of value added tax, at rate of 25 per cent, to more goods and services. This year the December-December inflation rate will be about 7.5 per cent and set to more than halve in 1992 to 2-3.6 per cent, lower than the European average.

The export picture for 1991 looks bleak as well due to a weak growth in demand and a loss of market share by Swedish industry. Nordbanken believes exports of manufactured goods will fall by 0.5 per cent this year but it also expects to see a notable improvement during 1992 with a 3 per cent boost in exports.

The trade balance, however, is set to improve from SKr16.6bn ($2.7bn) to SKr26.8bn-SKr28bn this year and to more than SKr30bn in 1992.

The balance of payments deficit will stabilise from SKr28bn to SKr30bn this year to anything between SKr33bn and SKr47bn, if the Federation of Swedish Industries is to be believed.

Industrial production is another dismal indicator for Sweden's economic health at the moment. In 1990, output dropped by 2.8 per cent and it is expected to fall by a further 6 per cent this year and enjoy only a modest improvement of 0.6 per cent in 1992.

The overall outlook is patchy but there are signs that Sweden might stage a recovery over the next three years.

But the economy's future prospects will depend on maintaining a tight fiscal and monetary policy. This must mean giving the highest priority to keeping down the inflation rate to the average European level, even at the cost of a higher level of registered open unemployment for the next two years, something which would not have been acceptable in the past.

Whether Mrs Anne Wibble, the new finance minister, and her colleagues in the non-Socialist coalition will be able to accept longer dole queues and a likely drop in their electoral popularity, is another matter.

But they may have little alternative if the new government is serious, which it is, about its commitment to take Sweden into the European Community by the end of 1994.

Whoever rules the country has much less freedom for manoeuvre than before. Indeed, it will become increasingly *difficult for Sweden to pursue an* independent economic policy.

This is because of the important decisions for the future management of the economy taken by the outgoing Social Democrats over the past 12 months with the support of the non-Socialist parties now *in government.*

Under Mr Allan Larsson's responsible management of the finance department after February 1990, it was agreed:

- *Last May,* to peg the krona to the European Currency Unit and thereby rule out any further devaluation of the currency to improve Sweden's export competitiveness, while at the same time indicating that the country wanted to join the exchange rate mechanism of the European Monetary System as soon as Brussels permitted;
- In October 1990, to accept in a crisis cuts package that the conquest of inflation should receive a higher priority than the maintenance of full employment and, at the same time, that the proportion of Sweden's gross domestic product devoted to public expenditure would have to fall; and
- To uphold a principle agreed in 1982 that Sweden would not borrow abroad to finance its own debt.

All this suggests that Mrs Wibble will have to move rather more cautiously than she might wish. Her immediate problem is the probable rise in the size of Sweden's budget deficit over the next few years, which is already causing concern at the Central Bank. This financial year it is expected to total SKr24.7bn, about 2 per cent of gnp. This is modest by comparison with the budget deficit the Social Democrats inherited in 1982 when it was 13 per cent of gnp. *But it is expected to rise next* year as a result of dwindling revenues and rising public spending – mainly on unemployment – to around 4 per cent of GNP.

The deputy governor of the Central Bank, Mr Thomas Franzen, is already warning: "Experience from the 1980s shows how quickly a deterioration in the Swedish budget can take place." What the Central Bank does not want to see is any unfinanced tax cut programme from the non-Socialists which might push the budget deficit too high.

The government has pledged tax cuts of SKr10-SKr15bn a year but how these are to be financed looks likely to remain unclear until the budget in January.

SWEDEN: FORECASTS FOR 1991-1992

	1991	1992
GDP		
Konjunkturinstitutet (KI)	−0.6%	1.0%
Handelsbanken	−1.3%	−0.7%
Nordbanken	−0.7%	0.6%
Finance dept	−0.2%	0.6%
BALANCE OF PAYMENTS (SKr)		
KI	−30.6bn	−33.0bn
Handelsbanken	−33.0bn	−23.0bn
Nordbanken	−28.0bn	−33.0bn
Finance dept	−28.0bn	−25.0bn
TRADE BALANCE (SKr)		
KI	26.8bn	26.9bn
Handelsbanken	32.0bn	39.0bn
Nordbanken	28.0bn	31.0bn
Finance dept	20.5bn	34.0bn
PRICES (DEC-DEC)		
KI	9.2%	3.2%
Handelsbanken	8.0%	2.0%
Nordbanken	8.5%	3.2%
Finance dept	8.4%	3.1%
UNEMPLOYMENT		
KI	2.7%	3.5%
Handelsbanken	2.9%	4.7%
Nordbanken	2.9%	4.5%
Finance dept	2.6%	3.5%

John Burton examines the crisis in the financial sector

Threat of tighter loans policy

Erik Penser: corporate empire collapsed in August

THE year-long crisis in Sweden's property and finance company sectors is provoking *worries that the country's* banks will face a period of large credit losses for the next few years.

One cause of concern is that a growing number of small businesses and mortgage holders will file for bankruptcy if the recession continues for another year, as some economic forecasts suggest. That development would force banks to adopt a much tougher lending policy and stifle a full recovery.

The financial crisis is the inevitable result of the credit deregulation that occurred in the mid-1980s. Once price and volume controls on banks, such as lending liquidity quotas and fixed interest limits, were lifted, an unprecedented surge in lending followed.

Speculators in property and securities prices, which were then sharply rising, were among the heaviest borrowers. The banks made short-term loans through the money market to independent finance companies, which specialised in making long-term loans to the speculators. But the collapse of property and share prices last year as the economy fell into a recession resulted in the finance companies being saddled with a growing pile of bad loans, which totalled SKr6bn ($988m) last year.

The banks, worried about their lending exposure to the finance companies, then refused to buy their money market certificates, placing several of the biggest finance companies in a liquidity squeeze. The finance company Nyckeln was the first to file for bankruptcy and others have followed, including Mobilia, the main shareholder in the Swedish office products group Esselte.

A recent government study of the crisis said the banks, which suffered credit losses of SKr11bn in 1990 mainly due to the finance company crashes, were partly to blame. "They did not analyse sufficiently the position of finance companies," explained Mr Kurt Malmgren, a former ambassador who headed the investigation. "Loans were given to finance companies that lacked a credit rating." Moreover, the Swedish Bank Inspection Board lacked the resources and authority to supervise the companies.

The study offered proposals to correct the situation, including stricter collateral conditions for loans and mandatory credit ratings for corporate customers. Bank deposit guarantees would be strengthened to conform to EC standards, while financial authorities would have greater powers to examine the creditworthiness of borrowers.

But these measures will come too late to stop bank credit losses from climbing to around SKr20bn this year. Although Sweden's main banks avoided operating losses last year, that will not be the case in 1991.

State-owned Nordbanken shocked analysts when it recently predicted that its pre-tax loss will amount to SKr6.5bn, the largest deficit in the country's banking industry. Nordbanken made large loans to finance and property companies in the late 1980s as well as being the biggest creditor to Mr Erik Penser, the Swedish financier, whose corporate empire collapsed in August.

The Penser crash raised questions whether the banks were over-reacting to their earlier policy of generous lending by being too tough now in calling in loans. Mr Penser was forced to transfer the ownership of his corporate assets, including the chemicals and defence group Nobel Industries and finance company Gamlestaden, to Nordbanken and other Swedish banks after they judged that he was no longer able to fulfil his loan obligations. The banks' decision that Mr Penser was insolvent is now being challenged by independent observers.

There are also protests that Nordbanken ignored the rights of minority shareholders in Nobel when it took over the company and forced it to make new financial obligations that were beneficial to the bank. That could fuel a debate about individual shareholders' rights, which are relatively weak in Sweden, and the influence of the banks over industry.

The banks explain they have little choice but to tighten control over credit. Total credit losses for the entire banking sector are now approaching 2 per cent of lending volume, almost triple the figure of 0.7 per cent during the last recession in 1982.

Although Swedish banks were among the world's most profitable during the 1980s, several of them are struggling now to meet the higher capital coverage requirement of 8 per cent mandated by the Bank of International Settlements for next year. Nordbanken, for example, was forced to raise SKr5.3bn from the state and other investors through a new share issue to fulfil the ratio.

The risk remains that if the banks persist with tight lending policy, Sweden could be hit by a wave of bankruptcies among small and medium-sized companies as well as holders of individual mortgages. This would lead to further credit losses for the banks and dim *hopes of economic recovery.* This downward spiral of credit restrictions has contributed to the mounting problems of Norwegian banks. But analysts believe Sweden will avoid a similar fate since its market liquidity is much bigger than in Norway and Swedish banks have better capitalisation and strong ownership structures.

The banks express confidence they will survive their present troubles as long as they successfully manage the disposal of assets they have acquired as a result of their foreclosure on loans. The banks hope to wait until the economy improves and market prices rise before trying to liquidate seized commercial property holdings.

In the meantime, they are still trying to collect outstanding debt on loans to avoid auctioning property holdings and possibly swamping the market with a surplus of property offerings. The amount of property falling under the control of the banks could grow as other borrowers default. Total bank loans in the property market amount to SKr165bn, according to one estimate.

The banks are also acquiring shareholdings in industrial companies that were formerly held by borrowers who have defaulted or gone bankrupt. They have become key shareholders in such companies as Nobel Industries and Esselte. Although the banks plan to sell the shareholdings when market conditions improve, they face pressure to do so sooner than that since their involvement ties up capital that could be more profitably invested elsewhere.

John Burton discusses the new economic policy

Fine-tuning reforms

ALTHOUGH the new non-socialist government claims that its policies represent "A New Start for Sweden", its economic plan is, in many respects, a more ambitious version of the programme that the previous Social Democratic government adopted to promote growth.

The Social Democratic administration between 1988 and 1991 laid the foundation for the free-market policies that the non-socialists promise to pursue. During that hectic three-year period, Sweden applied to join the European Community, introduced a radical reform of the tax system, linked the krona to the ECU, began curbing generous sickness benefits that were encouraging worker absenteeism, dropped plans to begin phasing out cheap nuclear power in the 1990s, agreed to fight inflation at the cost of full employment, and promoted the deregulation of agriculture.

The steps now unveiled by Prime Minister Carl Bildt are mainly aimed at reducing the tax burden, trimming public spending, encouraging industrial investment and promoting individual initiative. Although some of the measures proposed to achieve these goals are revolutionary by Swedish standards, others represent only a fine-tuning of the reforms introduced by the Social Democrats.

Moreover, although its goals are ambitious, the government so far has been unclear about the timetable for when the changes will be introduced. It is cautious, for example, about the timing of its tax reduction proposals, the centrepiece of its economic strategy.

The main reason for the cautious approach is that it must carefully balance tax cuts with reductions in social services. Too deep cuts in taxes would mean correspondingly sharp reductions in the welfare programme. This would cause problems for the Moderates with the other members in the four-party coalition cabinet, who fear social service cutbacks.

The future of the tax cuts partly depends on the government's strategy of promoting competition within the public sector to reduce costs without sacrificing services as well as encouraging private health and social care operations.

The timing of tax cuts will also be determined by the performance of the economy. Although tax reform is designed to revive economic growth, Sweden's recession, which is not expected to end until the second half of 1992, will place fiscal constraints on the introduction of extensive tax changes.

Sharp tax cuts would cause the government's budget deficit to deepen as long as the economy remains sluggish. The government is hoping that the privatisation of state companies, which would help bridge the deficit gap, will give it some flexibility in making tax cuts. But the prospects for healthy privatisation sales are uncertain in the present gloomy economic climate.

The government wants to reduce the tax burden, the world's highest at 57.7 per cent of GNP, and bring it down toward the average EC level of 40 per cent. That could take the rest of the decade to accomplish even if the non-socialists remain in power. Proposed tax cuts during their three-year term would only reduce the tax burden by a few percentage points.

Early steps in this direction include lowering the VAT on food, hotel and restaurant bills, tourism and domestic transportation from 25 per cent to 18 per cent at the beginning of next year. This actually fulfils a promise made by the Social Democratic government six months ago. The general VAT rate of 25 per cent, the highest in Europe, will remain for the time being.

Another immediate tax change is the abolition of the turnover tax on share transactions from December 1 in a bid to revive trading on the Stockholm bourse and increase its liquidity. This is part of the government's strategy of developing the bourse as a source of capital for small and medium-sized businesses.

The government wants to encourage the growth of small business to replace jobs being lost as the country's multinationals move production facilities abroad. Other measures aimed at attracting small businesses to the bourse include eliminating the double taxation on dividends and cutting the capital gains tax.

The growth of small businesses will also benefit from the elimination of the tax on working capital in private companies and the abolition of the wealth tax. The inheritance tax will also be reduced. Tax incentives will be granted for high-tech companies.

The country's high production and wages have discouraged continued industrial investment in Sweden. Proposals to reduce wage costs for employers include cutting their social benefit payments, which amount to 39 per cent of a worker's salary.

The government would like to see this ratio eventually fall to around 30 per cent. The first steps to trimming social benefit payments include eliminating the payroll tax on profit-sharing schemes and a 0.34 per cent general wage levy. Proposals to dismantle centralised wage bargaining, which would result in a deregulation of the labour market, would also ease pressure on corporate wage bills.

An emphasis is also being placed on increasing investments in Sweden, which have fallen sharply not only because of the recession but due to greater investment spending abroad by Swedish companies as they seek cheaper production locations.

Restrictions limiting foreign acquisition of Swedish companies, property and shares will be eliminated to attract capital from abroad. But there are no moves to abolish the country's differentiated share system, which prevents hostile takeovers by giving preferential shares 10 times the voting power of common shares.

Proceeds from the elimination of the trade union-controlled wage earners' investment funds may also be used to finance research and development programmes. The government also plans to increase spending on education and infrastructure projects, including roads and railways.

Although the pace of change during the next three years may not be as dramatic as the government's optimistic announcements suggest, developments will accelerate thereafter as Sweden prepares to enter the EC in the mid-1990s.

Election was the clearest expression yet of a quiet revolution of the *middle class*

Fall of a colossus with clay feet

LAST MONTH'S general elections, which swept the Social Democrats from power and installed a non-socialist government, was the clearest expression yet of the quiet revolution that Sweden has undergone since the mid-1980s.

The election results should not have come as a surprise to former prime minister Ingvar Carlsson. In 1985, he ordered an extensive $5m survey to examine the workings of the famed Swedish Model. A year ago, he received the findings of the study team, which comprised the country's leading political scientists and sociologists. Their message was devastating to the long-ruling Social Democrats, who developed the Swedish Model over the past 60 years.

The Report on Democracy and Power in Sweden stated citizens were rebelling against the centralised decision-making process and power of big institutions that are the hallmarks of the Swedish Model. The traditional acceptance of authority, which allowed an *élite of senior bureaucrats*, trade union leaders and corporate executives to co-operate closely in fashioning policy, was being eroded as public awareness and scepticism rose. It was this smoothly functioning corporatist structure that lay at the heart of the Swedish Model's success.

But in a chapter from the report entitled The End of an Epoch, the researchers announced that "the period of Sweden's history which was marked by a strong public sector expansion, centralised wage agreements on the basis of an historic compromise between labour and capital, social engineering, and centrally planned standard solutions is over". The timing of the investigation was fortunate in charting the deep changes in politics and society. "Rather accidentally, the Swedish power investigation was embarked upon when the well-known 'Swedish Model' began to lose both its applicability and legitimacy to everybody's surprise," notes Professor Jan-Erik Lane, a political scientist at Oslo University in a recent review of the report.

Symptoms of this development were becoming increasing apparent during the 1980s: declining membership in political parties and trade unions, internal conflicts within the trade unions and growing competition between public and private sector workers over pay agreements, and the rise of pressure groups challenging the government's authority and promoting a policy of decentralisation.

"The Swedish power inquiry portrays corporatist Sweden as a colossus with clay feet, as citizen involvement in various organisations and so-called peoples' movements is high in terms of formal membership (94 per cent of a national sample), but the real level of participation being very low," adds Professor Lane.

The feeling of alienation is particularly acute among the nation's youth, whose political attitudes are more conservative than their elders, according to last month's election results.

Those under 25 are called the "Interrail" generation after the cheap railway pass that has allowed them to see more of Europe than their parents. The impression they brought back was that other western Europeans had more individual choice in their lives, and they compared this to the "welfare fascism" of petty rules they claimed existed in Sweden.

The arrival of pan-European satellite channels has broken the state monopoly over the broadcast media in the past few years. This has also changed the public attitudes about Sweden and its role in Europe, while adding an international perspective to public debates. The deregulation of local broadcasting has contributed to the diversity of opinions, with the radio station operated by the Swedish Employers' Federation being the most popular in Stockholm.

> The feeling of alienation is acute among the nation's *youth, who are more* conservative than their elders

Dissatisfaction with the Swedish Model was the ironic product of its own success. Past social reforms sated the public appetite for more if it meant only marginal improvements at the expense of higher taxes, already the world's highest, and a bigger public sector.

Professor Assar Lindbeck, an economist at Stockholm University, believes that the dissatisfaction also reflected deeper concerns about the individual's rights versus those of the state. "The difference between traditional socialism and the welfare state of the Swedish type is that it is the family or, more accurately, household income and the production of services that is socialised through heavy taxation, rather than industry and its production of goods through nationalisation."

The Power and Democracy report criticised the Social Democrats for holding a "largely collectivist view of democracy. Democracy cannot be identified with majority rule and collective decision-making". It added that the state had a greater duty to respond to the needs and rights of the individual rather than vice versa.

As long as Swedes identified with a working class struggling to obtain full social rights, which they largely did until the 1970s, there were few voices to question the majority rule concept of democracy. Now, however, most of the population considers itself middle class.

The slogans used by the non-socialists during the recent election campaign appealed to this mood. The Moderates described themselves as being "the party of freedom", while the Liberals said they would "liberate Sweden". Demographic trends supported the non-socialists, who had their greatest support among youth and middle-class voters in the big cities, while the Social Democrats relied on votes from the elderly, those living in small towns and public sector workers.

But the Report on Democracy and Power contains a warning to the non-socialists that they will not necessarily have an easy time introducing reforms and dismantling the corporatist power structure. Although the country's mass movement organisations are losing influence, "nostalgia and a delay in understanding give legitimacy to old organisations. State subsidies, security of tenure, and palaces of bricks and mortar freeze social movements into permanence," it noted.

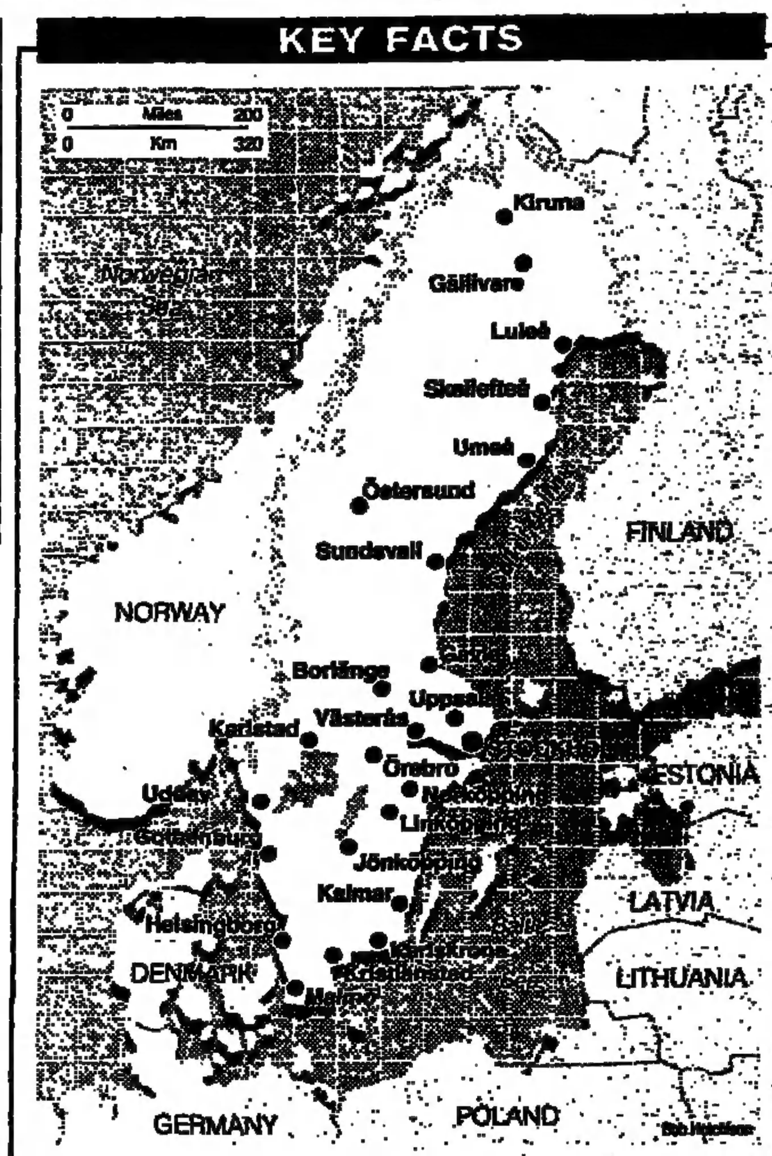
John Burton

Government ministers

Prime Minister	Carl Bildt (M)
Foreign Minister	Margaretha af Ugglas (M)
European Minister	Ulf Dinkenspiel
Finance	Anne Wibble (L)
Social Affairs	Bengt Westerberg (L)
Environment	Olof Johansson (C)
Justice	Gun Hellsvik (M)
Education	Per Unckel (M)
Defence	Anders Bjorck (M)
Civil Service	Inger Davidsson (CD)
Transport	Mats Odell (CD)
Agriculture	Karl Erik Olsson (C)
Industry	Per Westerberg (M)
Labour	Borje Hornlund (C)
Housing	Birgit Friggebo (L)

Party Affiliations: M – Moderate Party (conservatives), CD – Christian Democratic Party, L – Liberal Party, C – Centre Party

KEY FACTS



Area .... 449,964 sq km
Population .... 8.6m (end 1990 estimate)
Head of State .... King Carl XVI Gustaf
Currency .... Krona (SKr)
Average Exchange Rate .... 1990 $1 = SKr5.92, 11/10/91 $1 = SKr6.16

ECONOMY

	1990	Latest*
Total GDP ($bn)	226.4	n.a.
Real GDP growth (% pa)	0.3	−1.9
GDP per capita ($)	26,448	n.a.
Components of GDP (%)		
Private consumption	53.4	52.3
Total investment	21.5	19.7
Government consumption	26.9	27.8
Exports	36.8	35.7
Imports	−38.6	−35.5
Consumer prices (% change pa)	10.4	8.2
Ind wage rates (% change pa)	9.6	3.3
Ind production (% change pa)	−2.8	−8.7
Unemployment (% of labour force)	1.5	3.1
Reserves minus gold ($bn)	18.0	20.2
Broad money growth (% pa)	8.4	10.7
Discount rate (% pa, end period)	11.5	9.0
Long-term govt bond yield (% pa, avg)	12.3	10.0
FT-A index (% change over year)	−24.6	+24.9
Current account balance ($bn)	−5.8	−5.0
Exports ($bn)	57.5	57.8
Imports ($bn)	54.7	53.2
Trade balance ($bn)	2.8	4.6
Main trading partners (1990, % by value)	Exports	Imports
Germany	13.9	19.4
UK	10.1	8.0
USA	8.6	8.6
Norway	8.3	7.9
EC	54.1	54.9
EFTA	19.1	18.1

* 1991 figures (GDP components Q1, GDP growth Q2, Wages and Ind prod – June; Reserves – July; Consumer prices and broad money – August; Unemployment – September; Interest rates – October; Trade – 12 months up to July; FT-A index – % change from 1/1/91 to 11/10/91)

Source: IMF, Datastream, Economist Intelligence Unit

DEREGULATION

Focus is on foodstuffs

THE production and retail marketing of foodstuffs has become the focus of government efforts to deregulate the economy and promote competition.

The price of food in Sweden is among the highest in Europe. This results from the protection of the agricultural sector and a lack of competition among retail outlets. But these market restrictions are only one example, although a significant one, of the limits placed on competition within the Swedish economy.

The country traditionally has had lax laws on competition in the belief that monopolies and oligarchies help achieve economies of scale and consequently keep prices low in a small market such as Sweden, while making Swedish concerns stronger to compete against foreign rivals in export markets. But Sweden is now promoting competition and deregulation as it prepares to join the EC. The reform of agriculture and retail marketing of food will provide a *crucial test* of whether such efforts will succeed.

The most significant step in this process is the reform of the agriculture support programme that began on July 1 and which will continue until 1995. The Swedish policy of import levies, price guarantees and export subsidies for farmers began in the 1930s and served as the model for the EC's common agricultural policy (CAP). The aim was to *make Sweden self-sufficient* in food production.

But growing public protests about food prices in recent years forced the then Social Democratic government in 1990 to propose overhauling the system. The reform consists of the abolition of price supports and export subsidies and a gradual decrease of custom controls that limit imports.

Price supports for eggs, poultry, sugar and potatoes and beef were *abolished from July* 1, with prices now set by market demand. Price guarantees for cereals, the biggest agricultural product in Sweden, and milk will be phased out over a four-year period.

Cereal producers will receive direct compensation for the changes, while farmers can also use state funds to convert their land to non-food crops. The aim is to consolidate the country's 100,000 farms, most of them small and medium-sized, into larger and more efficient units.

Although some analysts suggest that the Swedish agricultural reform could serve as a model for the overhaul of the troublesome CAP system, Swedish farmers are in favour of joining the EC because they believe CAP will continue to offer them better support than the new Swedish system and allow them to compete on equal terms with EC farm producers.

The government is now turning its attention to the marketing of food products. Food prices have been kept high by the lack of competition among retailers, with the country dominated by three national supermarket chains and several regional ones. The new centre-right government recently announced that it will eliminate laws regulating the establishment of retail stores, which should ease the grip on the market the main supermarket chains now possess.

Distribution is also considered another obstacle to lower food prices. Sweden's anti-trust office, which has laboured futilely in the past to stop companies from gaining a dominate market position, scored an important victory in July when it persuaded the Market Court, which has the final authority on competition issues, to stop the purchase of a small regional dairy by the *country's largest milk supplier*, Arla.

The court ruled that the acquisition by Arla would lead to lower efficiency and higher prices, and consequently would have harmful effects on a market of considerable importance to most consumers. Arla already supplies milk to two-thirds of Swedes.

It was the first time that a corporate merger had been blocked in Sweden on competition grounds. What was particularly noteworthy was that the court rejected an agrument by Arla that would have previously appealed to Swedish authorities. This was that Arla needed to expand if the Swedish dairy industry was to survive in the EC internal market.

But there is now a general acknowledgement among politicians that limited competition, while beneficial to industry, is distorting consumer prices. The parliamentary committee on competition recently estimated that average retail prices in Sweden would be 10 per cent to 25 per cent lower if tougher laws on competition are introduced.

The committee is proposing stricter rules against monopolies and price cartels to conform to EC standards. This would include closer supervision of mergers, including powers to break up monopolies through divestments.

Cartels to arrange fixed retail prices and market allocation, which are now permitted, would also be banned. Government oversight over competition would be bolstered by merging the price and competition office, which registers legal cartels, with the commerce ombudsman, the anti-trust office.

John Burton

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